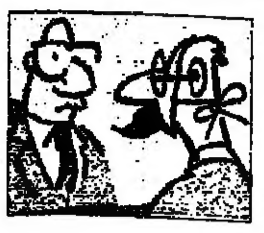
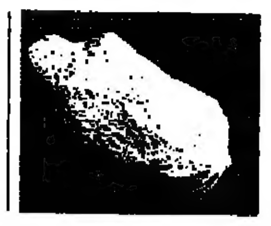
FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY MARCH 1 1999



Lucy Kellaway
The bogus shortage of top managers
Page 10



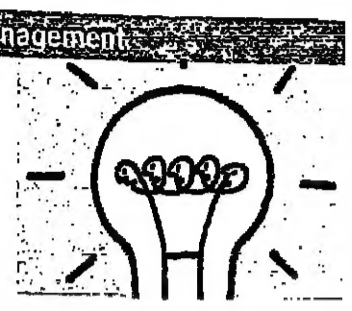
Asteroids and internauts
The internet revives amateur astronomy
Science, Page 12

François Roussely
An archetypal chairman for Electricité de France
Profile, Page 10

Special reports
FT Auto; Mastering Information Management
Separate sections

Mastering Information Management

The FT's 12-part series on the I in IT continues today. Part Five: new organisational forms
Separate section



WORLD NEWS

German unions win 3.1% public sector pay deal

Trade unions representing more than 3m German public sector workers have won a pay increase of 3.1 per cent, far in excess of the annual inflation rate of 0.2 per cent and more than the government had envisaged in its draft 1999 budget. The pay deal, which will take effect in April and run for 15 months, was agreed on Saturday, less than two weeks after the engineering workers' union IG Metall, the biggest in Germany, won a wage increase worth roughly 4 per cent a year. **Page 18**

Israel attacks Hizbollah targets
Israel carried out air strikes on Hizbollah targets north of Israel's south Lebanon occupation zone after guerillas killed three Israeli soldiers. Brigadier-General Erez Gerstein, commander of the Israeli Army liaison unit to Lebanon, was among the victims. **International, Page 3**

Clinton debt plan attacked
US President Bill Clinton's proposal to provide well-behaved emerging market countries with credit lines to ward off financial crises is running into opposition on the International Monetary Fund's executive board. **International, Page 3; Personal View, Page 16**

India raises direct taxes
India has raised direct taxes for the first time in a decade in a budget flagged by finance minister Yashwant Sinha as launching a "medium-term strategy" to restore the country's "fiscal health". **Asia-Pacific, Page 8**

Ethiopia declares 'victory'
The Ethiopian government has declared "total victory" in its border war with Eritrea after recapturing the contested Badme region, although Eritrea said fighting was continuing. Earlier Eritrea said it accepted a peace plan endorsed by Ethiopia.

Greens keen to boost EU role
Green parties signalled their determination to play a bigger role in setting the European Union's economic and social agenda by agreeing a common programme to fight the June elections to the European parliament. **Europe, Page 2**

Role for UN sought in East Timor
Portugal and Australia want a United Nations presence in East Timor to help ease tensions as the territory moves towards autonomy or independence from Indonesia. But Australia says an armed peacekeeping force is not required. **Asia-Pacific, Page 6**

Zambia tightens security
Zambia has deployed police and troops in the capital Lusaka after six bombs exploded, killing one security guard.

Anwar assault admitted
Malaysia's former police chief Abdul Rahim Noor has admitted beating the sacked deputy prime minister Anwar Ibrahim during detention. **Asia-Pacific, Page 8**

BUSINESS NEWS

German energy group threatens to transfer business abroad

RWE, German energy and industrial group, has threatened to transfer some of its business operations abroad in protest at the centre-left government's planned tax reforms. **Page 19**

The world's leading 10 investment banks have almost doubled their fee-based and advisory business in the global capital markets, says a report. They now have 77 per cent of the market. **Page 19**

Singapore has opted for caution in its Budget, providing only mild stimulation for the economy while focusing on improving long-term competitiveness. **Page 6**

Olivetti is expected this week to seek new allies to support its €53bn hostile bid for Telecom Italia. The push follows its clearance for a revamped takeover offer from Consob, the Italian stock market regulator. **Page 19**

South African Breweries, the world's fourth largest brewing group, starts conditional share dealings on the London Stock Exchange today. **Page 19; Lex, Page 18**

Pearson, publisher of the Financial Times, and Gruner + Jahr, German publishing group controlled by Bertelsmann, will today detail plans to launch a new German business newspaper. **Page21**

London and Frankfurt stock exchanges have begun consultations with investors, brokers and listed companies about harmonising issues as part of a plan to develop a pan-European market for Europe's top 300 companies. **Page 18; Comment, Page 20; Putting on brave face, Page 23**

Nokia, mobile telecoms group, plans to increase its workforce by up to 25 per cent this year. **Page 22**

A record number of fund managers launched cross-border joint ventures last year despite evidence that more than half fail within three years, according to a new report. **Page 23**

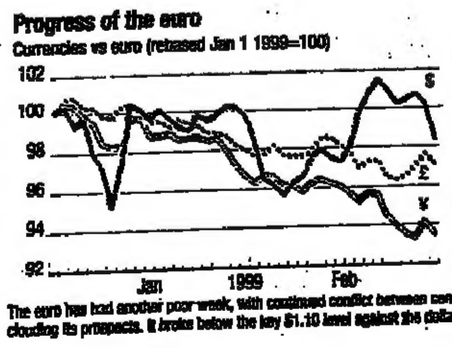
Gucci comes under attack this week when LVMH, French luxury goods group, starts legal proceedings against the board of the Italian fashion house in the Amsterdam Court of Appeal. **Page 21**

Volvo of Sweden has stepped up plans to expand in commercial vehicles with a twin-track strategy involving Sweden's Scania and Navistar, US truck and engine group.**Page 21**

Henderson Investors, UK-based fund management company, has agreed to buy the real estate portfolio of US mutual life insurer Phoenix Home Life. **Page 23**

IT International Theatres, Israel's largest cinema group, is set to become the nation's first company to list its shares on Easdaq, the pan-European stock market for growth companies. **Page 23**

Progress of the euro
Currencies vs euro (rebased Jan 1 1999=100)



Euro exchange rates

Dollar	1.0976
Yen	130.248
Sterling	0.6853
Swedish krona	9.8148
Danish krone	7.4345
Greek drachma	321.750
Swiss franc	1.5987

The euro has had another poor week, with continued conflict between central bankers and euro-zone politicians clouding its prospects. It broke below the key $1.10 level against the dollar several times during the week

Euro-zone, Page 27

Obasanjo wins Nigerian poll

Former military ruler succeeds in election seen by observers as fair

By William Wallis in Lagos

Olusegun Obasanjo, Nigeria's former military ruler, swept back to power yesterday as the state's first elected civilian leader in 15 years.

Although the outcome of Saturday's presidential election was denounced by his only rival, Olu Falae, General Obasanjo's victory – with a margin of at least 8.5 million votes and commanding 60 per cent of ballots cast – left most foreign observers satisfied it was a fair outcome.

Chief Falae said in his home town of Akure: "From what I have heard so far, the election has been a farce. I said if General Obasanjo won a free and fair election I would congratulate him, but clearly this was not a free and fair election." Reports from Akure, however, suggested the mood was more of resignation than defiance.

General Obasanjo, 61, was Nigeria's military leader from 1976 to 1979. He presided over the election of the last civilian government, which was overthrown after four years. He inherits a country in deep economic crisis and torn by regional divisions.

Among his most challenging tasks will be to resolve the conflict in the oil-producing south, where militant local inhabitants have forced a big cut in Nigeria's production of 2m barrels of oil per day in their campaign for a fairer share of revenues.

A scoreboard outside the Nigerian Electoral Commission details Gen Obasanjo's election victory yesterday. Reuters

Although he will not be inaugurated until May 29, one early decision is critical – whether to endorse a recent IMF agreement which is an essential pre-condition to rescheduling Nigeria's $28bn external debt and winning urgently needed loans.

Observers had expressed serious concern over ballot rigging. But most concluded that both sides were to blame and said it had not significantly affected the outcome. Jimmy Carter, the former US president who jointly leads an American delegation, said: "There were some disparities noted by . . . my wife and I and also by members of our delegation."

As expected, General Obasanjo fared badly in the ethnic Yoruba region of south-west Nigeria. Although both men are Yorubas, General Obasanjo is widely resented by his own people. Chief Falae's strong showing could strengthen their calls for the autonomy of a region which includes the commercial and industrial capital of Lagos. General Obasanjo did well in the north, which has been the dominant force in Nigerian politics since independence in 1960. The turnout was higher than 50 per cent of an estimated 40m voters.

The presidential poll was the last in a series of elections, part of a phased handover to civilians initiated by the military head of state, General Abdulsalami Abubakar.

Safest pair of hands, Page 3

Deutsche set to quit as head of Russian GKOs body

By Clay Harris in London

Deutsche Bank is prepared to resign today as head of a committee representing foreign holders of $15bn of short-term domestic securities on which Russia defaulted last summer.

The 19-bank committee, which has been divided on strategy for several months, may split into two camps this week after Deutsche's unilateral acceptance on Friday of Russia's restructuring terms for part of its holdings of the securities, known as GKOs and OFZs.

"If they don't resign, I'm 99 per cent sure they will be sacked," another committee member said of Deutsche yesterday.

Deutsche is believed to be willing to step down if asked to by other banks, even though it sees no conflict in its position. It offered to resign in December after earlier criticism, but won renewed support.

Arguing that Russia's package was worth as little as 2.5 per cent of face value before devaluation of the rouble last August, the GKO committee had been seeking a six-week deadline extension to April 30 in the hope of getting more details about the mechanics and legal backing of the offer.

The committee officially made that request on Thursday, only a day before Deutsche announced its partial acceptance. Deutsche's representative has told other members that the decision was made by other departments in the bank, behind "Chinese walls".

Other members of the 19-bank GKO committee may also urge Deutsche to disclose, at least to its own clients, any commercial benefits it may have received from Russia. Deutsche's similar role as head of the London Club, representing creditors holding $30bn of Soviet-era commercial debt, has also been called into question.

Other banks were less concerned about Chase Manhattan's decision to accept the GKO offer on behalf of its proprietary holding, but not those of its clients. They said that the US bank, although also a committee member, had been candid about its intentions and did not owe the same duty of care as Deutsche.

Business rejects tax harmony calls

By Kevin Brown and Jim Kelly in London

Europe's business community is overwhelmingly opposed to German and French calls for an end to the national veto on tax issues and harmonisation of corporate taxes across the EU, according to an FT survey of business organisations.

The survey suggests that there would be strong business opposition to any attempt to pursue the suggestion, put forward separately by Oskar Lafontaine, the German finance minister, and Dominique Strauss-Kahn, his French counterpart. Mouvement des Enterprises de France was the only one of 15 business organisations in 14 EU countries to give full backing to tax harmonisation and qualified majority voting in the council of ministers.

However, Jacques Creyssel, its director, said majority voting could be contemplated only if there was a clear policy for reducing taxes and social security levies. Otherwise it would be better to retain tax competition.

The two German business organisations, the BDA and BDI, firmly rejected the Franco-German proposals, as did the Confederation of British Industry, Italy's Confindustria and most of the smaller countries' business organisations. The Federation of Swedish Industries favoured harmonisation of the tax base, but not of rates. Belgium's VBO-FEB and the Federation of Greek Industries backed majority voting, but the Belgians were firmly against harmonisation.

Business leaders in several countries suggested that the initiative was aimed at increasing the overall level of EU taxes rather than at weeding out unfair tax schemes that might damage other EU states.

John Dunne, director general of the Irish Business and Employers' Confederation, said tax competition was one of the few economic weapons left to euro-zone countries. "If we lose that battle in the longer term, it should be tax harmonisation down to where we are, not upward to where other countries are," he added.

The survey revealed a strong feeling across Europe that competition between tax regimes was beneficial. But business leaders said tax regimes should not discriminate between domestic companies and those based in other member states. There was also a widespread view that corporate taxes are too high.

Tax harmony? No thanks, Page 17

Taiwan warns it might be forced to strengthen defences

By Mure Dickie and Peter Montagnon in Taipei

Taiwan President Lee Teng-hui has warned that continued military pressure from China will force the island to develop its defences. He says his government is already interested in a proposed US-led missile defence system.

In an interview with the Financial Times, conducted amid US reports of an escalation of China's missile forces, Mr Lee said Beijing's actions were the most important factor in deciding the merits of a proposed US theatre missile defence (TMD) system that might render mainland missile batteries impotent.

"They already have so many missiles," Mr Lee said. "If [the mainland Chinese] are not going to reduce their military threat to Taiwan, we must prepare our defence systems."

In a signal of growing official enthusiasm for TMD, Taiwanese newspapers yesterday quoted senior military sources as saying that Taiwan was making the purchase of US Aegis warships, which could play a key role in any missile defence system, its highest procurement priority.

China has fiercely opposed Washington's development of TMD, even though the project is still in its early design stages. Beijing last week made a veiled threat to transfer missile technology to third countries if the US extends the shield to cover China's neighbours, including Taiwan, which China considers a renegade province.

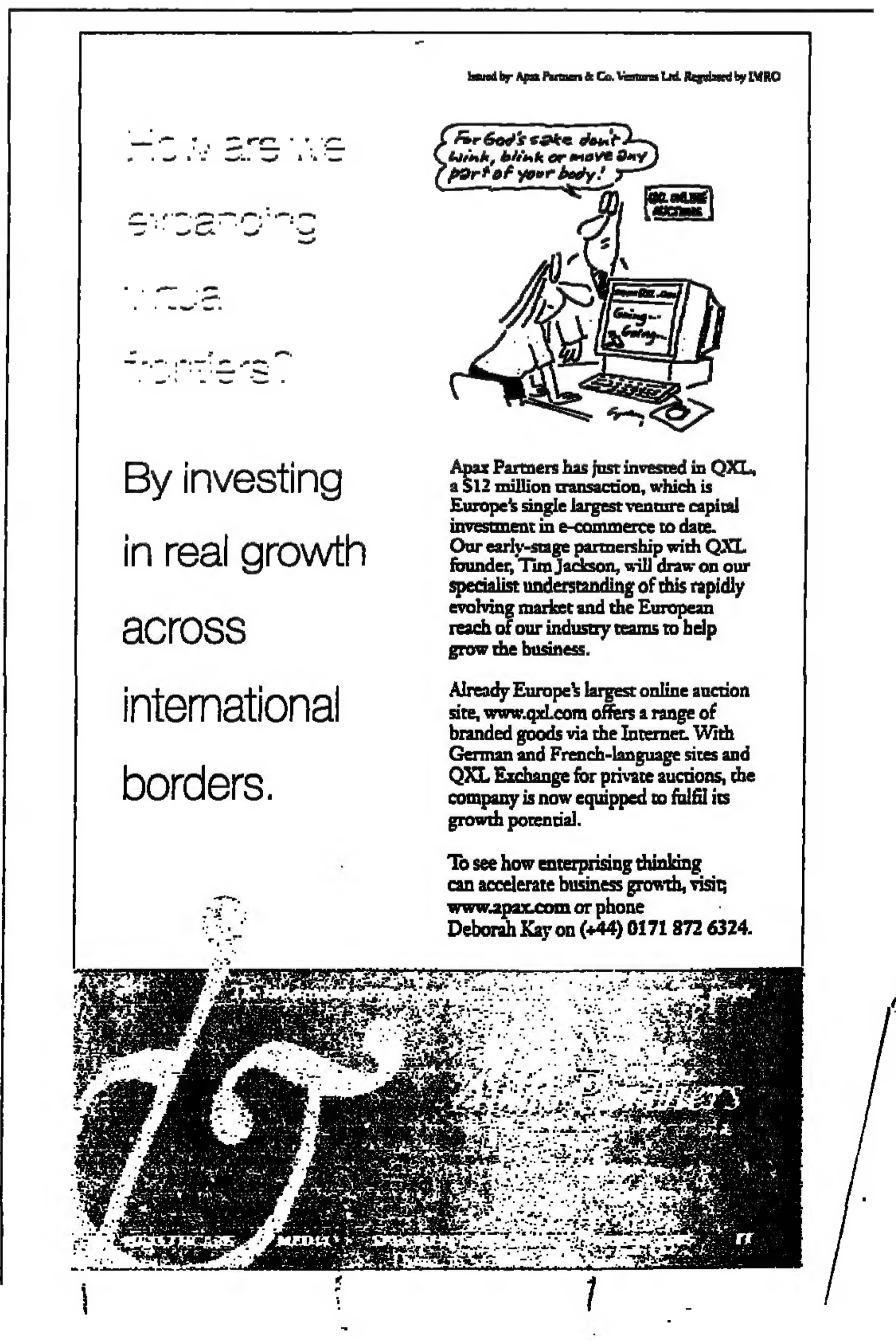
Madeleine Albright, the US Secretary of State, arrived in Beijing yesterday for a two-day visit overshadowed by the dispute over defence issues.

The Clinton administration last week vetoed the sale of $450m worth of telecommunications satellites to China, saying the Chinese military was part of the buying consortium. The US also criticised China's human rights record.

Mr Lee stressed the importance of dialogue and said that in the long-term there must be reunification of the mainland and Taiwan. But he gave no hint of a softening in Taipei's stance on key issues, threatening a recent fragile cross-Strait rapprochement.

Taiwan would continue to insist on dealing with Beijing as a separate and independent entity and would keep up its drive for greater diplomatic recognition, he said. Talks should focus on practical issues.

Interview, Page 16



CONTENTS

© THE FINANCIAL TIMES LIMITED 1999 No.33,844

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3.500	Sweden	SK20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

For subscription information please contact:
Subscription Sales Department, The Financial Times Limited,
Number One Southwark Bridge, London. SE1 9HL.
Tel: +44 171 873 4200 Fax: +44 171 873 3428
E-mail: FTE.Subs@FT.com

WORLD NEWS
EUROPE

France seeks pause in talks on EU reforms

By Robert Graham in Paris

France called yesterday for a breathing space in negotiations on the reform of the European Union's farm policy to allow the French and German governments time to bridge the wide divide between their positions.

The French call underscored Paris's growing reluctance to be pushed into a quick deal on the domestically sensitive topic of farm policy before the European parliamentary elections in June.

If a delay is accepted by other EU members, French officials recognise it would be harder for the Germans to achieve their ambitious plans to reform the EU's finances under their presidency, which finishes at the end of June.

The agriculture ministers of the 15 members should resume talks in Brussels tomorrow after a marathon four-day session last week and an informal summit of EU leaders on Saturday near Bonn failed to make significant progress. The main sticking point has been the isolation of France, unwilling to concede a reduction in the privileged position of French agriculture without a global deal on restructuring the EU's finances.

"I am not sure that the European Commission and the German presidency are capable of revising their papers and coming up with new proposals between now and Tuesday," Jean Glavany, the French agriculture minister, said yesterday. "If they can, then we will talk... If not, then it's better to put things back."

Mr Glavany said the failure of last week's negotiations showed very clearly that when "there is no agreement between France and Germany, the EU is blocked".

He added: "We could wait several days, even a couple of weeks, before reconvening the council of agriculture ministers so as to allow time for France and Germany to work towards an intelligent compromise."

The powerful French farmers' lobby has already warned the Socialist-led government against making concessions in the talks reforming the Common Agricultural Policy (CAP) that would undermine their incomes.

Over the weekend Luc Guyau, the chairman of FNSEA, the national farmers' union, praised the government for standing firm against "co-financing" - a German move to shift agricultural support from the CAP on to national government budgets.

Mr Glavany said the informal summit of EU leaders over the weekend had "put lead in the wings" of the idea of "co-financing".

Paris has also rejected the latest Commission ideas to cut the prices farmers are guaranteed for beef by 25 per cent instead of 30 per cent.

The agriculture minister said this move merely helped big rich farmers, while posing a real threat to small farmers whose support the leftwing government has begun to cultivate. France has proposed the beef support cut be limited to 5 per cent.

The French have also called for a postponement of discussion on reorganising milk quotas, arguing this would be costly.

Greens keen to boost EU role

By Robert Graham

Europe's Green parties yesterday signalled their determination to play a bigger role in setting the European Union's economic and social agenda by agreeing a common programme to fight the June elections to the European parliament.

At what was only the second congress of European Green parties, the increased importance of the movement was underlined by the Greens' status as members of government coalitions in four of the 15 EU countries – Finland, France, Germany and Italy.

The Green platform, endorsed at a three-day congress of European Green parties in Paris, seeks to capture voters across the traditional right-left divide.

It pledges to build a "citizen's Europe", with an extension of the powers of the European parliament, while bringing EU institutions closer to the electorate.

Apart from the traditional emphasis on phasing out nuclear power, the Greens have committed themselves to work for a more humane immigration policy. The manifesto also calls for environmental taxes to play a bigger part in the fiscal system and for greater fiscal fairness by reducing tax competition between states.

The programme and accompanying resolutions on issues such as Kosovo and Kurdistan were adopted by more than 300 delegates.

"This is the first time we have really got together, and despite our different histories sought to share a common platform," said Franz Floss, spokesman for the federation of European Green parties, which embraces groups in 28 countries in and outside the EU.

The Greens have 27 members in the outgoing European parliament, with 12 from Germany.

France, where the Greens' list is headed by Daniel Cohn-Bendit, the charismatic student leader of 1968, is thought likely to elect Green MEPs for the first time.

The mood of political maturity was caught by Joschka Fischer, foreign minister in the German government and symbol of the Green movement's new status.

He said it was not easy to move from a culture of protest to the exercise of power, citing as an example the recent back-tracking of the German government on nuclear power proposals.

"Every government makes mistakes at the outset," he said. "One must just make sure one does not make the same mistake twice."

Pekka Haavisto, the Finnish environment minister, was similarly realistic, advising her fellow Greens "to learn to be happy taking small steps at a time".

Behind the scenes, the French and German delegations sought to ease tensions between their countries caused by the German government's initially tough line on phasing out nuclear power and nuclear waste reprocessing.

Outline agreement was reached on the highly sensitive issue of German nuclear waste treated in France and the UK. The German Greens said they would not oppose the return of the waste provided the shipments were secure.

Cohn-Bendit is likely to be France's first Green MEP AP

Migrant fund plan in gesture to Bonn

By Peter Norman in Brussels

Spain has suggested solving the vexed issue of Germany's high net contributions to the European Union through a special fund to offset the costs of immigration and asylum seekers.

José María Aznar, the Spanish prime minister, proposed that an EU programme worth about €3bn ($3.3bn) a year be set up for member states that face pressure of immigration from the applicant countries of eastern and central Europe and which also bear an excessive financial burden from refugees and asylum seekers.

The funds would mainly help Germany, which wants to reduce its €11bn net contribution to the EU, and Austria. The programme would remove one of the main stumbling blocks in the Agenda 2000 negotiations on reform of the EU's budget, farm and regional policies.

It was not immediately clear whether the proposal, outlined by Mr Aznar at last Friday's special informal summit of EU leaders near Bonn, would gain support. Germany, which currently holds the EU's rotating six-month presidency, is pushing for budgetary rigour in Europe, with a stabilisation in real terms of spending from 2000 to 2006.

Some observers suggested Mr Aznar's plan might be a ploy to divert discussion away from plans to cut Spain's entitlement to EU financial support in the Agenda 2000 negotiation. Spain adopted an especially hard line in Friday's discussions, rejecting the German presidency's suggestion that structural fund payments should be capped at €200bn in the seven-year period of an Agenda 2000 settlement.

Largely because of Spain's tough stance, Mr Schroder was unable to announce any concrete advance in the Agenda 2000 negotiations last Friday although some EU member states hinted of a willingness to compromise.

Tony Blair, UK prime minister, insisted he would not "negotiate away" Britain's EU budget rebate, agreed in the 1980s, but British officials said the UK was prepared to make sacrifices.

Mr Schröder said Germany was not seeking "a lottery jackpot" but wanted to see the rising curve of its net contributions to the EU turn down. He soothed Spain and other countries benefiting from the cohesion funds, conceived to help them adapt for the euro, by saying there were no plans to stop payments abruptly.

Not all the Silicon Valleys are growing out west.
This one, in fact, isn't even west of Pittsburgh.

Kingdom Computers, based in a tiny valley in north central Pennsylvania, is one of the fastest growing start-ups in the U.S. Why? Because Kingdom Computers builds award-winning PCs and provides incredible service. And because of a great high-tech business partner – Pennsylvania. "Dealing with the Ridge Administration is like dealing with family," says 28 year-old Mike Ulmer, Kingdom Computers' president. Kingdom took advantage of Pennsylvania seed financing and business contacts and reaped the benefits. Now one of the top 50 PC companies in the US, Kingdom's rapid annual growth rate is projected to be 800% over the next three years. And thanks to business incentives like a 10% R&D tax credit and Tech 21, the Governor's initiative for a high-tech Pennsylvania, other emerging-tech companies are taking root here as well. No wonder Pennsylvania is a top ten state in high-technology firms. So join the rush and move your high-tech business here. With all the valleys in Pennsylvania, you could have one all your own. For more information call 1-800-554-PENN.

PENNSYLVANIA
Getting it done

Tom Ridge, Governor • Sam McCullough, Secretary DCED • www.state.pa.us • 1-800-554-PENN

NEWS DIGEST

PRIMAKOV STICKS TO HOLIDAY PLAN

Yeltsin 'stable' in hospital after fresh setback

President Boris Yeltsin was yesterday said to be in a "stable" condition in hospital after suffering further complications with a bleeding stomach ulcer. But Yevgeny Primakov, prime minister, flew off to the Black Sea resort of Sochi on Saturday for a 10-day holiday.

"If the situation required the premier to stay in Moscow, he would not have flown to Sochi," a prime ministerial spokesman said. Mr Yeltsin has recently been attempting to raise his political profile again after being marginalised for the past few months. But doctors said the president's latest health setback had been caused by overwork. Mr Yeltsin ignored his doctors' advice last month to fly to Jordan to attend the funeral of King Hussein. He has also held recent meetings in Moscow with Zhu Rongji, the Chinese premier, and other leaders of the Commonwealth of Independent States. **John Thornhill, Moscow**

KOSOVO VIOLENCE

Serb policeman killed

One Serbian policeman was killed and four were wounded in southern Kosovo yesterday as government forces battled with separatist ethnic Albanian guerrillas on the first anniversary of the war in the province. International observers said between 2,000 and 3,000 ethnic Albanian refugees who fled the fighting around Kacanik, 15km north of the Macedonian border, were prevented by Serbian authorities from crossing over as refugees.

"There are 1,000 or 1,500 people queued up along the highway about 500 metres short of the Macedonian border," said a United Nations spokesman. Thousands of ethnic Albanians, including guerrilla units, marked the first anniversary of the war in the Serbian province yesterday with a sombre ceremony in the village of Likosane.

Twenty-five ethnic Albanians, including 10 members of a single family, were killed in the village a year before after fighting sparked by a police ambush of a car carrying four Kosovo Liberation Army guerrillas. **Reuters, Pristina**

AIR TRAFFIC DISPUTE

Strike threat to Helsinki airport

Finnish air traffic controllers are this week expected to step up industrial action that has paralysed the domestic airline network and disrupted international air traffic over the past three weeks. Helsinki airport is likely to close for two days a week, beginning tomorrow and Wednesday, following a collapse in pay talks between the country's civil aviation authority and air traffic control unions.

Finnair, the national airline, warned at the weekend that it would begin laying off staff if the dispute was not resolved quickly. The partially privatised flag carrier, which has lost FM105m (€17.6m, $20m) since the strike began, declined to say how many of its 9,000 staff would be affected.

Air traffic controllers are seeking a 26 per cent pay rise and additional benefits including company cars. They have been offered a 12 per cent salary increase. The average monthly wage among the country's 250 controllers is FM25,000. The dispute has focused attention on industrial relations and wage moderation in the run-up to Finland's general election on March 21. Finnair has warned that the closure of Helsinki's Vantaa airport will increase its weekly losses to FM55m. **Tim Burt, Stockholm**

IMF WEIGHS LOAN

Praise for Romanian reforms

The International Monetary Fund has said Romania has made "solid progress" on economic reforms in recent months, and that Bucharest's formal request for a standby loan would be "considered" by the Fund's executive board in June. This year Romania faces foreign debt service payments of $2.9bn, the bulk of which falls due in May and June. Radu Vasile, the prime minister, has said that if Romania does not sign loan accords with the IMF, the "worst economic collapse scenarios might come true".

Romania is negotiating a $480m standby agreement with the IMF, to be dispersed in six tranches over 18 months. Emmanuel Zevourdakis, the IMF's Romania director, said his team would return to Bucharest in April.

● Romania's central bank said yesterday it had placed Bancorex, a troubled state-run bank, under special administration to help it restore normal operations. Mr Vasile said he hoped extraordinary powers extended to a special administrator would help the bank get ready for privatisation this year. **Joe Cook, Bucharest**

DISPUTE OVER KURDS

Turk call for Greek sanctions

Turkey's president has called on Nato allies to impose sanctions on Greece for supporting the PKK guerrillas of Abdullah Ocalan, the imprisoned Kurdish rebel leader.

President Suleyman Demirel opposes granting minority rights to Turkey's Kurdish population. He hinted last week that Turkey could use military force against Greece unless it renounced what he saw as support for the PKK.

Turkey has long accused Greece of providing aid and training to Ocalan's rebels, but Greece has denied the accusations, saying it helped Mr Ocalan only as a humanitarian gesture. **AP, Ankara**

To Advertise Your Legal Notices

Please contact Melanie Miles on

Tel: +44 171 873 3349

Fax: +44 171 873 3064

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, [illegible] Frankfurt am Main, Germany. Telephone [illegible]. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholders of the Financial Times (Europe) GmbH are Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse [illegible] Neu Isenburg. ISSN [illegible]. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone [illegible]. Fax [illegible]. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor Richard Lambert. ISSN [illegible]. Commission Paritaire No [illegible].
SWEDEN:
Responsible Publisher: Bradley P. Johnson. Telephone [illegible]. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.
© The Financial Times Limited 1999. Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

NIGERIAN ELECTIONS FORMER MILITARY LEADER HAS PAID DUES

Obasanjo seen as safest pair of hands

By William Wallis in Lagos

Whatever protest his opponent, Olu Falae, has made over the irregularities in the weekend's presidential election, Nigeria's future appears to rest in the hands of Olusegun Obasanjo.

For millions of Nigerians who voted for the erstwhile military ruler, as well as for well-wishers in the west, those hands represented the safest pair on offer to guide Nigeria through one of its most turbulent periods since the Biafran civil war in the 1960s.

Only eight months ago the 61-year-old former general was behind bars, victim of the most sinister and brutal dictatorship Africa's most populous state had known.

In most parts of the world such a precipitous journey from jail to victory in presidential elections would be considered remarkable. But many Nigerians appear to have overlooked the fact that the general, who ruled the country from 1976 to 1979 before becoming a chicken farmer after his handover, has paid some dues.

He served more than three years as a political prisoner, as well as spending the better part of two decades campaigning across the globe for good governance as a leading figure in Transparency Internal, the Berlin-based anti-corruption lobby.

He also won plaudits for his role as a member of a Commonwealth Eminent Persons Group which made contacts in the 1980s with then jailed South African leader Nelson Mandela, starting a dialogue that paved the way for an end to apartheid.

What makes him such a controversial figure among those who cast their vote the other way is the loathing he harbours now for all forms of military involvement in government. In his campaign, Chief Falae repeatedly stressed that, regardless of how long ago General Obasanjo traded in his uniform for the flowing agbada robes traditional to his Yoruba ethnic group, he retains a "military mindset".

Opposition to him proved strongest among his own Yoruba group, which has not forgiven him for what it sees as the backing he gave the northern candidate he handed over to after elections in 1979. Among the Igbo ethnic group in the east, attitudes have been more ambiguous.

In 1969 it was Gen Obasanjo who received the surrender of the Igbo rebels fighting for a separate Biafran state.

When calculating their own future after deciding to forgo their traditional monopoly on the top job in the interests of national unity, northern leaders backed Gen Obasanjo.

For his detractors the fact that it was retired generals and establishment figures who bank-rolled his campaign could prove his undoing.

But those who know the general say he is unlikely to be a stooge of the confluence of northern political and military establishments which has done much to win him back the presidency.

"Obasanjo is a man who believes in the system, and leadership to him means tinkering with the existing structures to evolve a more dynamic one in which hard work is encouraged and rewarded and indolence and waste and indiscipline are discouraged with enforceable sanctions," says Onukaba Ojo, who wrote his official biography.

This conservatism is seen by some as worrying at a time when radical reform beckons. While the official figures give him a solid mandate to go into office, they seem unlikely to end the controversy his re-emergence has provoked.

For some Nigerians he lacks the intellectual capacity to work out how to rescue the country from economic collapse. For others a tough paternalist who knows, from within, the workings of the army which has deprived Nigeria of transparent government for so long was the safest bet.

Olusegun Obasanjo waits in line on Saturday to cast his vote AP

Israel vows to avenge Hizbollah killings

By Avi Machlis in Jerusalem and James Schofield in Beirut

Israel yesterday vowed to strike back at Hizbollah, the Lebanese Islamist Shia movement, after its guerrillas killed a senior Israeli commander and two other soldiers in Israeli-occupied southern Lebanon.

The Israeli army yesterday confirmed that Brigadier-General Erez Gerstein, commander of the Israeli army's liaison unit to Lebanon, had been killed. A journalist with the convoy on assignment for Voice of Israel radio was also killed.

Hizbollah detonated a roadside bomb as a military convoy passed by in the eastern sector of Israel's "security zone" in southern Lebanon. The attack came less than one week after Hizbollah killed three Israeli army officers and raised the Israeli military death toll in south Lebanon to seven this year. Israel, its Lebanese Christian allies and Hizbollah have engaged in a spiralling cycle of violence. Israel killed at least three Hizbollah fighters last week, Israeli jets have bombarded suspected Hizbollah positions and yesterday two Hizbollah rockets hit a northern Israeli town.

Before Israel confirmed the attack, Benjamin Netanyahu, Israeli prime minister, said Israel "could not tolerate these kinds of repeated attacks. . .and Israel will know what to do in response". He spoke in Amman where he met senior Jordanian officials and King Abdullah but the first meeting between the two leaders since the death of Abdullah's father, King Hussein, last month was overshadowed by the Lebanese tensions.

'When the Israelis came here, they didn't ask permission'

Mr Netanyahu hoped to smooth relations after he angered Jordan last week by saying Israel feared Iraq could become a nuclear power and then threaten Israel from the Israel-Jordan border. After meeting Mr Netanyahu, Fayez al-Tarawneh, Jordanian prime minister, said the issue had been "clarified".

In Lebanon, Naeem Qasem, Hizbollah deputy secretary general, said the attack "confirms our determination" to continue fighting Israel until it withdraws unconditionally from southern Lebanon. Ibrahim Moussa, Hizbollah spokesman, in response to a question why Hizbollah appeared to be stepping up attacks, said: "When the Israelis came here, they didn't ask anyone's permission."

Last year, Israel offered to withdraw from Lebanon based on UN Security Council resolution 425 from 1978 which called for an immediate Israeli pullout. But Israel, which says it needs to maintain its presence as a buffer against guerrillas, also demanded security guarantees from the Lebanese government.

Mounting Israeli casualties have changed public opinion on Lebanon substantially in the last two years. A public opinion poll last Friday in the Israeli daily Ma'ariv showed that 35 per cent of Israelis now supported unilateral withdrawal while 53 per cent objected.

IMF executives cautious over credit line plan

By Robert Chote, Economics Editor

US President Bill Clinton's proposal to provide well-behaved emerging market countries with credit lines to ward off financial crises is running into opposition on the International Monetary Fund's executive board.

Some European countries and poorer developing nations feel they are being railroaded into support for the initiative by the US and the UK, which in turn are supported by some of the emerging market nations that might benefit from it.

President Clinton's plan would see countries with a good policy record offered a precautionary line of credit, in effect boosting the reserves they have available to defend themselves against speculative attacks.

The finance ministers and central bank governors of the Group of Seven leading industrial nations gave apparent backing to the plan in the communiqué of their recent meeting in Bonn.

"We welcomed the substantial progress in developing an enhanced IMF facility providing a contingent short-term line of credit, accompanied by appropriate private sector involvement," the G7 said.

"We will work at the IMF to ensure that this facility is introduced as soon as possible."

But one senior European official said there remained doubts about the scheme, even within the G7. "The reference to the 'enhanced facility' is German code for 'be careful'," he said.

Onno de Beaufort Wijnholds, the IMF executive director for the Netherlands, expresses the concern of opponents of the scheme in an article in today's FT. In an unusually public intervention for an IMF director, he argues that the credit line proposal is "not helpful".

Mr Wijnholds believes the credit lines would encourage private sector investors to lend too much to risky emerging market countries. By providing an upfront guarantee to countries on the basis of past policies, it would also weaken discipline on them in the future.

"For those who are sceptical about this argument, I would suggest they think about what would have happened if such a contingent credit line had been available to Indonesia or South Korea in 1997, or to Brazil in 1998," he says.

The IMF board will next discuss the proposal on March 12.

One area of contention will be whether the credit lines form a new facility (in which case they will require 85 per cent support on the board) or a window in the existing supplemental reserve facility (in which case only a simple majority in favour will be needed).

There are also doubts within the IMF's senior management about the wisdom of the credit line proposal. Michael Mussa, the Fund's economic counsellor, has opposed the idea in the past, arguing that the IMF board would be very reluctant to withdraw credit lines from countries where policies deteriorate.

Personal View, Page 16

Iranian voters back reformists

By Robin Allen in Tehran

A heavy turnout, notably by young voters, and partial early returns from Iran's nationwide local council elections augured well yesterday for reformist supporters of President Mohammad Khatami.

More than 300,000 candidates were competing for some 200,000 local council seats.

Balloting for local seats ended late on Friday, with official results expected later this week.

Iranian analysts have described the elections as the first in the country's history to be free of pre-election rigging and the threat of annulment by autocratic unelected bodies now controlled by clerical and judicial hardliners.

By yesterday afternoon, according to officials at the Interior Ministry's election headquarters, three reformist candidates – Abdollah Nouri, former interior minister, Saeed Hagerian and Mohammad Azgazadeh, one of the former students who helped occupy the US embassy 20 years ago – were clear leaders among nearly 4,000 candidates competing for 15 local council seats in Tehran, the capital and the key to reformists' hopes.

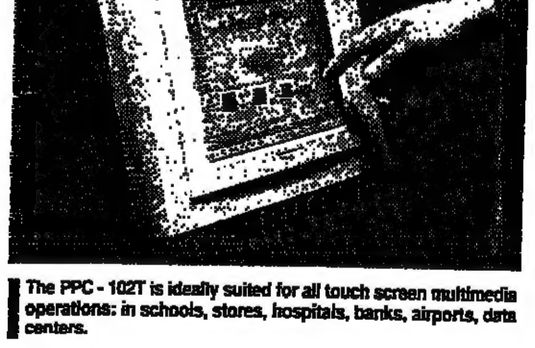
In Semnan, east of Tehran, and two other cities women have swept the board in council seats, and reformists across the country are reported to be well ahead in the count.

Counting still had to be approved by election committees and final results would not be announced for several days, officials said.

According to Neshat, a pro-Khatami newspaper, "the results of these polls will force the conservatives to change their political views and opt for reform. We are already witnessing signs of this coming from the lower ranks of establishment."

Reformists see the local polls as a key step towards loosening the conservatives' hold on parliament in general elections, due in March 2000.

In Taiwan, we awarded a Symbol of Excellence to give you a touch of genius.



The PPC - 102T is ideally suited for all touch screen multimedia operations: in schools, stores, hospitals, banks, airports, data centers.

There's a world of creativity at your fingertips with Advantech's slim touch panel PC. It integrates a full function PC board into an LCD display, which is one reason it won our Symbol of Excellence.

Through innovative design and simplicity of assembly, Advantech is also creating products that offer excellent value. Innovalue, we call it.

To learn more about Symbol of Excellence products, or the benefits of sourcing, designing or manufacturing in Taiwan, contact us by fax, email or through the Internet.

TAIWAN. Your Source for INNOVALUE SM

Fax: 886-2-2723-5497 E-Mail: minews@cetra.org.tw http://innovalue.cetra.org.tw

Court to hear key case on discrimination

By Patti Waldmeir in Washington

The US Supreme Court today hears a case which could have a big impact on the size of damages paid by US employers in employment discrimination lawsuits.

The court agreed to hear the case, Carole Kolstad vs the American Dental Association (ADA), to clarify what kind of employer conduct will give rise to punitive damages – damages awarded to punish and deter an offender – in lawsuits involving sex discrimination. However, employment law experts said the suit was also likely to have a knock-on effect on race, age, and other employment discrimination suits brought under Title VII of the 1991 Civil Rights Act.

The case involves a female lawyer employed as a lobbyist for the ADA, a professional trade association. A jury found that Ms Kolstad was denied promotion because of intentional sex discrimination. The issue before the court is not whether this is so, but whether such discrimination must be "egregious" before punitive damages are awarded.

Title VII permits such damages where there was "malice or... reckless indifference to the federally protected rights of an individual". But in Ms Kolstad's case an Appeals Court found that the ADA's conduct was neither "egregious" nor "truly outrageous" enough to merit punitive damages.

At the moment there is confusion over the standard of conduct necessary to attract punitive damages, with the various circuit courts applying differing standards to define "reckless indifference". If the Supreme Court upholds the Appeals Court's decision in Kolstad – that the conduct did not meet the standard of "egregious" – this would set a new standard nationwide that could limit the size of both jury awards and pre-trial settlements.

Conversely, if Ms Kolstad wins, jury awards and settlements could shoot up. Her lawyers argue in their brief that "egregious" is too high a standard, and that employees need only show that employers knew or should have known their conduct was probably unlawful in order to have claims for punitive damages put before a jury.

"If adopted, this standard would subject employers to punitive damages virtually every time an employee engages in intentional discrimination against another," the US Chamber of Commerce argues in a brief filed to support the ADA.

'Our concern is that punitive damages would become the norm'

"Our concern is that punitive damages would become the norm, not the exception, whereas the law clearly intends them to be the exception," says Stephen Bokat of the National Chamber Litigation Center, which has also backed the ADA.

According to Jury Verdict Research, which tracks jury awards, 40 per cent of verdicts in gender discrimination cases in the last six years have included punitive damages. The law caps damages at $50,000-$300,000 per plaintiff, depending on the size of the employer.

A lower court jury awarded Ms Kolstad back pay after a male employee in the same office was, according to her lawyers' brief, "preselected" for a promotion for which he was less qualified then she was.

Wall St gears for Y2000 tests

By Tracy Corrigan in New York

The calm that normally reigns on Wall Street outside trading hours will be disturbed next weekend when 5,000 traders, systems programmers and support staff conduct the securities industry's biggest test of Year 2000 compliance.

The industry-wide effort on Saturday and Sunday represents the second phase of Year 2000 testing for Wall Street, after tests last July. Those involved only 21 securities firms and eight exchanges.

Next weekend dealers will simulate trading on December 29, 1999, according to a prepared script, involving more than 400 firms, including the fund managers who are the ultimate buyers and sellers of most securities, as well as the traders who act as intermediaries and clearing firm and exchange staff. The testing, which continues on further weekends in March and April, will include simulating trading on December 30 and 31 and January 3. These dates were chosen because many of the securities being tested take three days to settle, so orders entered on December 29 will be the first to settle in the year 2000.

The firms involved account for the bulk of US securities trading, according to the Securities Industry Association which is co-ordinating the effort.

"We have the firms that account for 98 per cent of daily volume in the test," said John Panchery, Year 2000 project manager at the SIA. "Any small firms that have to test [their Y2K compliance] can do so with their clearing firms. Even if there is a problem with that small firm, the ripple effects would not be as great."

The total cost of systems remediation of the Year 2000 problem for the securities is estimated at $5bn, according to the SIA. Cross-border testing of securities trading is due to be conducted in June.

BRAZILIAN STAND-OFF PRESIDENT'S TALKS WITH GOVERNORS ISOLATE FRANCO OF MINAS GERAIS

Cardoso mends bridges with states

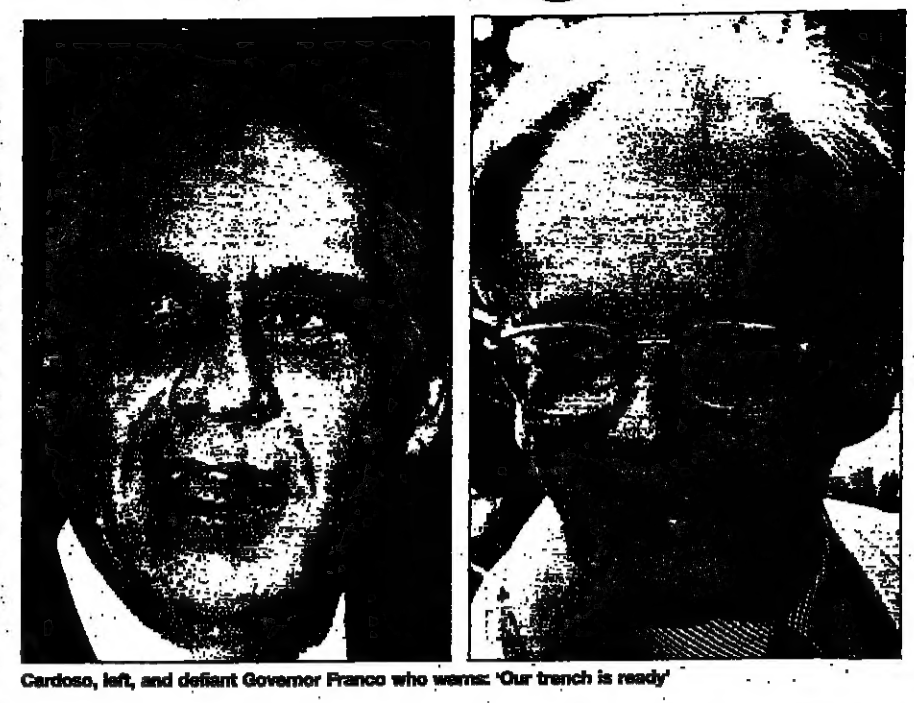
By Geoff Dyer in Brasilia

Brazil's President Fernando Henrique Cardoso has gone a long way toward breaking the impasse between the federal government and several state governors, a stand-off which had been threatening to undermine his administration.

Following a meeting on Friday with 26 of the 27 state governors, Mr Cardoso proposed a number of concessions to ease pressure on the states' finances. However, he refused to reopen negotiations about debt repayments to Brasilia.

The positive response that Mr Cardoso's proposals received, including from opposition parties, served further to isolate the one governor who did not attend the meeting, Itamar Franco of Minas Gerais.

It was the declaration of a moratorium on January 6 by Mr Franco, who is demanding a revision of Minas' debt repayments, which highlighted the financial problems of many states and sparked the confidence crisis that forced the recent currency devaluation.



Cardoso, left, and defiant Governor Franco who warns: 'Our trench is ready'

"It was better than expected. It was a very positive meeting," said Anthony Garotinho, the opposition governor of Rio de Janeiro. "More than just opening a dialogue, the meeting overcame misunderstandings and obstacles," said Mario Covas, governor of São Paulo, the richest state.

Mr Cardoso said the government would provide loans to help states reduce their payroll, their main budgetary problem, and to set up pension funds for civil servants. The government would also revise a law which exempts exports from a state sales tax, he said.

The danger for the government, which did not provide any figures for the potential cost of the concessions, is that financial markets decide they will undermine Brazil's fiscal austerity drive. However, ministers argue that they are creating the conditions for states to make vital cuts in their spending.

The government hopes the perceived success of the meeting will allow Mr Cardoso, who has been widely criticised for indecision since the devaluation, to recover the political initiative.

He received a further boost on Friday when his nominee to head the central bank, Arminio Fraga, was comfortably approved by a Senate committee despite harsh criticism from opposition senators over his links with George Soros, the billionaire investor. The full Senate will vote on his nomination this week.

However, it is not clear how Mr Cardoso will resolve the conflict with Mr Franco, whose rhetoric has become ever more aggressive. "Our trench is ready," Mr Franco said last week. "We will resist in it as along as possible." He said on Saturday that he had no intention of withdrawing the moratorium.

CHARGES OF SEDITION OUTCOME WILL BE A CRUCIAL INDICATOR OF GOVERNMENT'S ATTITUDE TO REFORM

Cuban dissidents face trial today

By Pascal Fletcher in Havana

Four leading Cuban dissidents, whose case is widely seen abroad as a test of the communist leadership's attitude towards non-violent political opposition, are due to go on trial in Havana today charged with sedition.

The four – Martha Beatriz Roque, Félix Bonne, René Gómez and Vladimiro Roca – have been held for more than 19 months, despite appeals for their release from the Vatican, Canada, the European Union, the US and human rights organisations such as Amnesty International.

Family members said they had been informed by state security officers the trial would go ahead today. There was no announcement from the Cuban government, which is often reluctant to give information about political arrests and trials.

Other anti-government activists were reported to have been detained by police over the weekend, apparently to stop them staging demonstrations during the trial.

Before their arrest on July 16 1997, the four dissidents held news conferences for foreign diplomats and journalists and released documents criticising the grip on power held by President Fidel Castro's ruling Cuban Communist party.

They also urged voters to boycott one-party elections and sent a letter to foreign businessmen warning them they could be contributing to the suffering of the Cuban people by investing in Cuba under the current government.

Four accused of inciting others to 'subvert the order of socialist state'

In its preliminary findings the State Prosecutor's Office argued the four were guilty of sedition and asked for a six-year jail sentence for Mr Roca and five-year terms for the other three. The prosecution accused them of inciting others to "subvert the order of our socialist state".

The outcome of the trial is likely to send an important signal regarding the Cuban government's attitude to democratic reform.

Acquittal or lenient sentences might suggest the authorities are willing to heed international calls for greater political freedoms, such as the plea made by Pope John Paul II when he visited Cuba in January last year.

Although more than 300 prisoners were freed after the Pope's visit, Mr Castro has so far turned a deaf ear to appeals for the release of the four well known dissidents, and to calls for a wider democratic opening.

If the court endorses the jail terms sought by the prosecution this could send a strong message that the authorities are not willing to tolerate political opposition of any kind.

The trial was scheduled just two weeks after the government passed tough anti-subversion legislation which established jail terms of up to 20 years for anyone judged to be "collaborating" with hostile US policy towards Cuba.

Cuba routinely alleges anti-government dissidents on the island are backed, directed and financed by the US government.

Cornell In Europe

"Creating Value Through People"
The Cornell Johnson School European Alumni Symposium In London

Cornell University's Johnson Graduate School of Management is pleased to host a gathering of great significance for all European scholars, business leaders and its alumni.

Our European Alumni Symposium promises to offer keen insight on the challenges faced by organizations and managers in today's constantly changing business climate. This year's program, "Creating Value Through People", features a stimulating panel of experts from the academic and corporate worlds who will explore matters of universal interest, such as:

- Creating and fostering the agile organization
- Attracting and retaining flexible, talented employees
- Issues surrounding rapid change in the workplace

You are cordially invited to attend this outstanding event, brought to you through the efforts of Cornell's Johnson School, supported by the Financial Times and other partners. To learn more or to register, refer to the information below.

"Creating Value Through People"
20 March 8:00 AM-4:15 PM
May Fair Inter-Continental London, Stratton Street
For more information or registration, call
(US) 607-255-4038
E-mail to dps5@cornell.edu, or visit our Web site at
http://www.johnson.cornell.edu/alumni/london.html
Registration Deadline: 1 March

CORNELL UNIVERSITY
Johnson Graduate School of Management

fast.forward.

Symbol of Achievement

The Chartered Financial Analyst (CFA®) designation. A measure of excellence among investment practitioners. Proof of a career-long commitment to the highest standards of professionalism and ethics. By earning the right to use the coveted CFA initials, charterholders join an elite corps of leaders in the investment community. All dedicated to professional competence and service — for the benefit of their clients and their employers alike.

The Association for Investment Management and Research sponsors the CFA program, along with professional development services for over 35,000 members in 70 countries around the globe. All designed to promote integrity and knowledge among investment professionals worldwide.

AIMR
SETTING A HIGHER STANDARD

For more information and a free brochure, call 1 804-963-6825 or visit www.aimr.org.

A wide range of newly qualified and junior

Accountancy Positions

appear every Monday in the UK edition and every Friday in the International edition.

For more information, please call:
Effie White on
Tel:+44 171 873 3456
Fax:+44 171 873 4331

هكذا من الأصل

While in Buenos Aires, Kate Archer's **meeting** in Sydney was cancelled, so she stopped by an American Airlines ticket office and **changed** her Qantas ticket for a British Airways **ticket home**. How in the world does she do it?

BRITISH AIRWAYS
AmericanAirlines
Canadian Airlines
CATHAY PACIFIC
QANTAS

oneworld revolves around you. Now there's an alliance where you can rely on any of the airlines for assistance, no matter which one you're flying. Finnair has recently joined the **one**world alliance and will be delivering these benefits in late 1999. www.oneworldalliance.com

ECONOMIC STIMULUS PREVIOUS ISSUE IDENTIFIED BY OFFICIALS AS MAIN ENGINE OF GROWTH

China eyes more infrastructure bonds

By James Kynge in Beijing

China is considering issuing a second tranche of infrastructure bonds this year to stimulate the slowing economy.

A decision on whether to launch more bonds could be taken during the full session of the National People's Congress (NPC), or parliament, which starts on March 5, the official China Daily newspaper said yesterday. A decision could, however, be postponed until later in the year.

The infrastructure spending that has flowed from a RMB100bn ($12.1bn) bond issue in August has been identified by officials as the main engine of economic growth last year.

Liu Hong, commissioner of the national bureau of statistics, said last week that 4.8 percentage points of China's official 7.8 per cent growth in gross domestic product last year came from a 14.1 per cent year-on-year increase in fixed-asset investment. Officials said the increase in fixed-asset investment was driven to a significant extent by the infrastructure projects financed from the bond issue, and from state bank lending.

But many independent economists believe that the 7.8 per cent figure and the contribution of the fiscal stimulus package may have been significantly overstated.

First, RMB100bn seems too modest an amount – when compared with China's total fixed-asset investments of RMB2,845.7bn last year – to have been the dynamo for almost half of the year's economic growth. Second, investment by the non-state sector last year was lacklustre.

Fixed-asset investment by collectively owned enterprises in the cities dropped 16 per cent year-on-year. Investment by rural collectives, which includes most of China's so-called town and village enterprise sector, climbed 0.6 per cent and total investment by the private sector rose 6.1 per cent.

But regardless of the true impact that investment had on the economy last year, fiscally driven infrastructure spending remains one of the few policy options open to the Chinese government in combating the economic slowdown.

Xiang Huaicheng, finance minister, is expected to unveil an expansionary budget at the NPC next week. Officials have already forecast a deficit for 1999 of RMB105.3bn, up from RMB96bn last year, but Mr Xiang has said the deficit could end up being larger than predicted.

China's room to issue more bonds is somewhat circumscribed by the fact that debt revenues in 1997 were 54 per cent of the government's fiscal income, a proportion which almost certainly climbed again last year. In addition, China's tax income as a percentage of GDP, at about 10 per cent last year, is seen as too low.

Singapore opts for caution in fuelling growth

By Sheila McNulty in Kuala Lumpur

Singapore has opted for caution in its 1999-2000 budget, providing only mildly stimulative measures for the economy while focusing on improving long-term competitiveness.

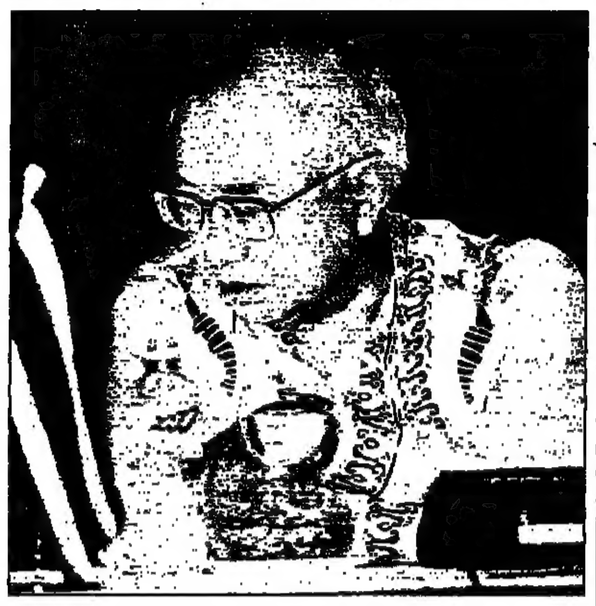
"Even as we adopt short-term measures to deal with current difficulties, we have to keep our eyes on the future, develop the infrastructure necessary for our future growth, enhance our capabilities and put in place a conducive framework for businesses and individuals in Singapore to thrive," said Richard Hu, finance minister. "Only then will we be well placed when the region recovers from the economic crisis."

Economists have applauded the city-state's administration throughout Asia's crisis for not resting on its laurels because of the superior health of its own economy.

Singapore has urged its citizens to cut spending and upgrade their skills to enable it to emerge stronger from the crisis. The economy grew 1.5 per cent last year, above the government's 1.3 per cent estimate, in what Neil Saker, SG Securities' head of economic research in Singapore, called "a commendable performance given a region in recession. Although growth decelerated through the year, versus 8 per cent in 1997, it was still much better than any distressed regional economy."

However, the government said overall trade shrank 7.5 per cent in 1998, visitor arrivals declined by 13 per cent, activities in the Asian dollar market contracted by 10 per cent and job losses reached a record 28,300.

Singapore warned that this year could also be difficult. But instead of providing a wide-ranging boost to business, the administration has decided to let measures announced last year work through the system. In June, the government implemented a S$2bn (US$1.2bn) off-budget package of cost cuts and spending measures. And in November it implemented a S$10.5bn cost-reduction package, covering the main elements of business costs. The cornerstone was a 15 per cent reduction in overall wages.



Richard Hu: 'we have to keep our eyes on the future' AP

These measures will already help push the budget into deficit for the first time since the mid-1980s recession. It will be funded from surpluses accumulated by the government in its current term. As those efforts were designed to help business, the S$29.2bn 1999-2000 budget focused instead on relieving pressures on individuals and building up strategic industries.

There was a 10 per cent personal tax rebate, double that given last year and reliefs for those in public housing. Tax incentives were provided to various sectors, including the bond market and boutique fund management, as part of efforts to promote the city-state as a regional financial centre. They were also extended to companies that use Singapore as an operational headquarters performing at least one substantive global function.

The largest allocations of the budget went, as in previous years, to defence, at 25 per cent of total government spending, and education, at 19 per cent. Spending on development will amount to S$13.9bn, up S$1.2bn from fiscal 1998 to invest in strategic projects such as land reclamation and information technology.

The government is forecasting gross domestic product of between minus 1 per cent and plus 1 per cent this year.

Islamabad to seek fresh bids for Habib Bank

By Farhan Bokhari in Islamabad and Clay Harris in London

Pakistan's privatisation commission plans to seek fresh offers for Habib Bank, the largest public sector bank, after a disappointing response from prospective investors last week.

The commission's chairman said separate offers for parts of Habib's international network would now be considered. The deadline for offers is March 15.

The new offers are being sought partly because of possible objections from the UK's Financial Services Authority. The FSA must give its consent since Habib is licensed to take deposits in the UK, where it has 16 branches.

Pakistani officials say the FSA could object to any one of the six prospective buyers, who have had no experience of running a worldwide banking network. Under UK law the FSA may accept the word of the home country supervisor in deciding whether a bank is "fit and proper". However, it has wide discretion in making its judgment on suitability.

The six expressions of interest include four Middle Eastern groups (Bank Al-Falah, a Karachi/Abu Dhabi consortium, Al Yousaf group of Muscat and the International Investor of Kuwait). Daewoo Securities (an affiliate of the South Korean Daewoo Corporation) and a consortium of Habib Bank employees.

Although still undecided, the commission is apparently considering plans to privatise the overseas network in separate chunks, though still loosely tied to the core.

"We are asking the cabinet committee on privatisation to repeat the Habib Bank's expression of interest," Mr Khawaja Asif, chairman of the commission, said.

Mr Asif said there was merit in considering sales of foreign branches to financial groups in their countries of operation. "To give one example, Habib Bank last year showed profit of Dh2.5m [$680,000] in the UAE, which is pathetic. A party from there can do much better".

Under this approach, the UK branches could be sold to a buyer acceptable to British authorities while networks elsewhere could be sold to other investors, Mr Asif said.

Role for UN sought in East Timor

By Peter Wise in Lisbon, Gwen Robinson in Sydney and Sander Thoenes in Jakarta

Portugal and Australia want a United Nations presence in East Timor to help ease tensions as the territory moves towards autonomy or full independence from Indonesia. But Australia says an armed peacekeeping force is not required.

The Portuguese and Australian foreign ministers, who met in Portugal on Saturday for talks on the future of the territory, urged opposing factions in the former Portuguese colony to show restraint and avert further bloodshed.

East Timor, off northern Australia, was invaded and annexed by Indonesia after the Portuguese colonial administration withdrew amid civil strife in 1975. Human rights organisations estimate that more than 200,000 East Timorese have died since the invasion.

Portugal has condemned Indonesia for arming pro-integration militias after agreeing to grant East Timor independence if the Timorese rejected an offer of autonomy. Two separatist activists and a soldier were killed in the latest incidents on Wednesday.

Jaime Gama, Portugal's foreign minister, said a UN presence was needed as early as possible to help stem the escalation of tension and oversee the transition to autonomy or independence.

This would include monitoring the decommissioning of weapons.

Alexander Downer, his Australian counterpart, said he envisaged the sending of civilian UN personnel to help in the process of consulting the East Timorese on their future, but "not a massive UN peacekeeping force, heavily armed, landing on the shores of East Timor".

Portuguese and Indonesian officials will meet in New York next week for a further round of UN-sponsored talks on East Timor. Kofi Annan, UN secretary-general, is expected to make a decision on a UN presence in the territory.

Portugal and Australia, whose relations have been strained by the East Timor issue, achieved a broad consensus in the weekend talks on how best to support a peaceful transition in the territory, diplomats said.

This will include ensuring that the East Timorese benefit from offshore oil resources in the Timor Gap. A 1989 treaty, unsuccessfully challenged by Portugal, splits the oil and gas field between East Timor and northern Australia into

Presence needed 'as early as possible to help stem rising tension'

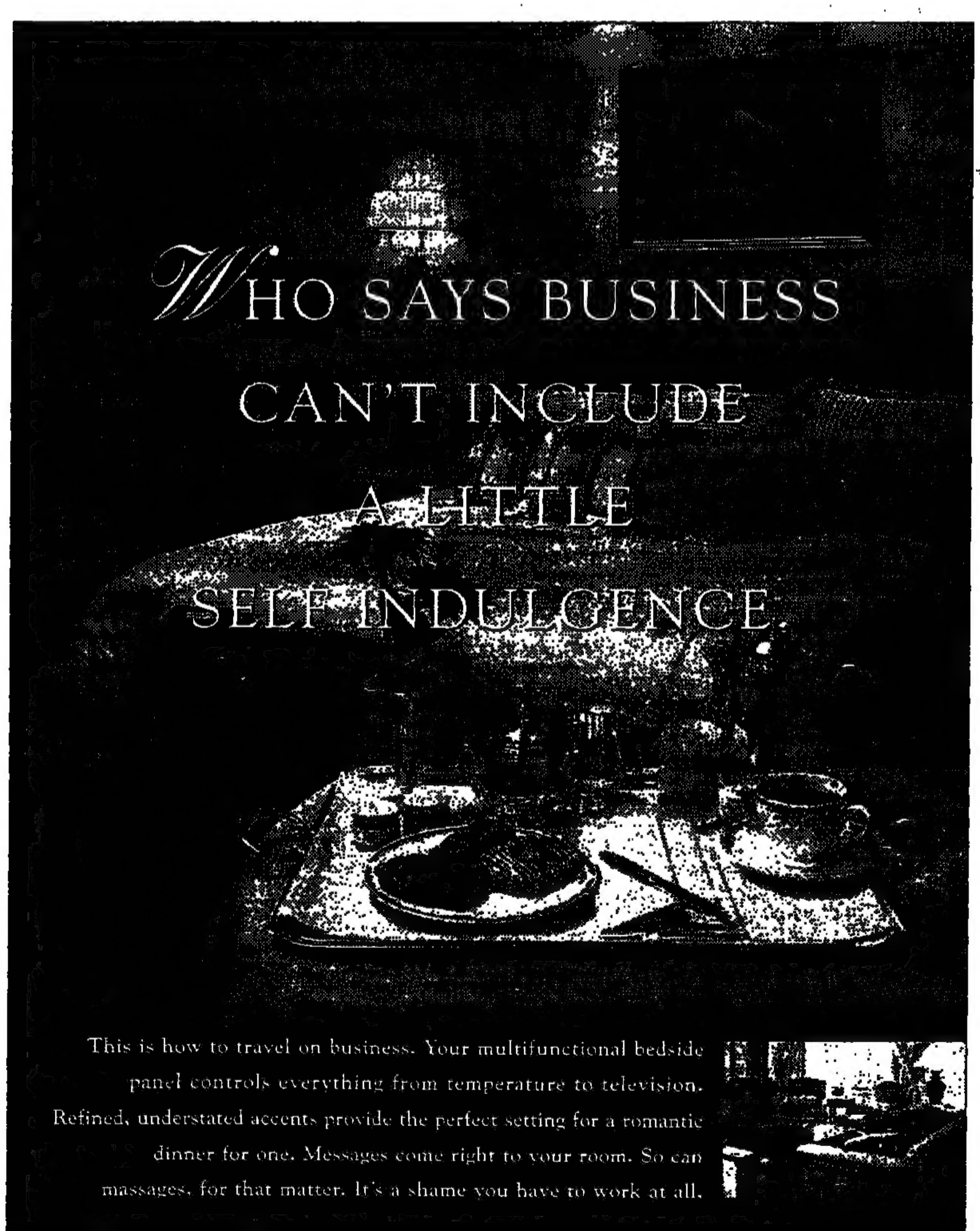
three zones: Australian, Indonesian and joint co-operation.

Companies currently involved in Timor Gap projects include Broken Hill Proprietary, Royal Dutch/Shell and Woodside Petroleum.

● Delegates from Irian Jaya who met B.J. Habibie, Indonesian president, on Friday made a surprise call for independence, rejecting an offer from Jakarta of expanded autonomy.

The president had invited the delegates in an effort to assure the resource-rich region that he shared their concerns, but they reacted to an offer of independence for East Timor to demand the same.

Diplomats say growing numbers in Aceh, the western-most part of Indonesia, have also switched from calling for autonomy to demanding independence.



THE PENINSULA
NEW YORK

For Reservations, contact your travel professional or call (800) 262-9467
700 Fifth Avenue at 55th, New York, New York 10019 Tel: (212) 956-2888 Fax: (212) 903-3949
e-mail: pny@peninsula.com · www.peninsula.com
Kowloon Hotel Hong Kong · Manila · New York · Beverly Hills · The Palace Hotel Beijing
Bangkok · Quail Lodge Resort & Golf Club Carmel

The Leading Hotels of the World

European Community Newspaper.

Subscribe for a year and receive 4 weeks extra free.

More senior business people in Europe read the FT than ever before*. They value the depth and breadth of its coverage of European news and depend on the FT's unrivalled tracking of the effects of the euro.
Benefit from additional savings, subscribe now, and save on the newstand price.
Tel: +44 171 873 4200 Fax: +44 171 873 3428 or email: FTE.subs@FT.com

FINANCIAL TIMES
No FT, no comment.

Source: EBRS '98

هكذا من الأصل

NONSTOP
BUSINESS
COMPUTING

NONSTOP
PROFIT

NONSTOP
GLORY

INTRODUCING THE MOST EXTREME
AVAILABILITY ON EARTH.
THE NEW HITACHI SKYLINE TRINIUM.™

Hitachi Data Systems' new Skyline Trinium. The result of a two-year study on the challenges facing the most sophisticated environments. Trinium simplifies these IT challenges by delivering the world's most extreme levels of availability. Complemented by record-breaking performance, scalability, and capacity – close to three times that of other S/390 servers. You now have access to an extreme computing solution to fuel your crucial e-commerce, consolidation, data mining, and ERP applications. Built and scaled to your specifications and supported with premier alliance partners – Computer Associates,® Cisco Systems,® and Oracle,® as well as Hitachi service offerings, Trinium delivers the business edge for higher profits.

The new Skyline Trinium – business enabling technology for extreme business demands. Get ready for the glory. Contact us today at www.hds.com

HITACHI
DATA SYSTEMS

For computing as critical as your business.

DELHI BUDGET FEARS REMAIN OVER HEALTH OF GOVERNMENT FINANCES

Leap in fiscal deficit forces India to raise direct taxes

By Mark Nicholson in New Delhi

India has raised direct taxes for the first time in a decade after an unwelcome spurt in this year's fiscal deficit. The rises came in a weekend budget, flagged by Yashwant Sinha, the finance minister, as launching a "medium-term strategy" to restore "fiscal health".

Indian stocks surged on Saturday in response to market-friendly fiscal measures in the budget, and industrialists welcomed fiscal stimuli to buoy growth in sectors such as housing and agriculture. But many analysts remained unpersuaded that Mr Sinha had done enough to allay fears over government finances.

Revealing a leap in the fiscal deficit to 6.5 per cent of gross domestic product from the budgeted 5.6 per cent, and citing a "growing and critical source of concern" over rising spending, Mr Sinha characterised his budget as placing a "strong corrective course on revenues", at the same time rationalising most indirect taxes.

Analysts saw the budget as steering a difficult course under fiscal and political constraints – with his Bharatiya Janata party-led coalition government enjoying a slim majority – to rein in finances, offer some demand impetus to a limping economy and promote further economic reforms. "Given the constraints, it strikes a balance between giving a demand shock to the economy without further fiscal indiscipline, but perhaps at the cost of making further structural reforms, which could prove politically destabilising," said Vikram Goyal, India economist for Morgan Stanley in Hong Kong.

Mr Sinha raised both corporate and upper-tier personal taxes by 10 per cent, doing the same with excise and customs duties. He allowed to lapse additional surcharges worth 5 per cent on customs duties and reduced India's maximum tariff to 40 per cent but imposed a minimum 5 per cent tariff on duty-free items. The overall effect slightly increases average protection and is seen as considerably buoying indirect tax revenues. But the budget was otherwise largely devoid of overtly *swadeshi*, or economic nationalist, measures. Indeed, Mr Sinha promised further liberalisation for foreign investment approvals "in a few days".

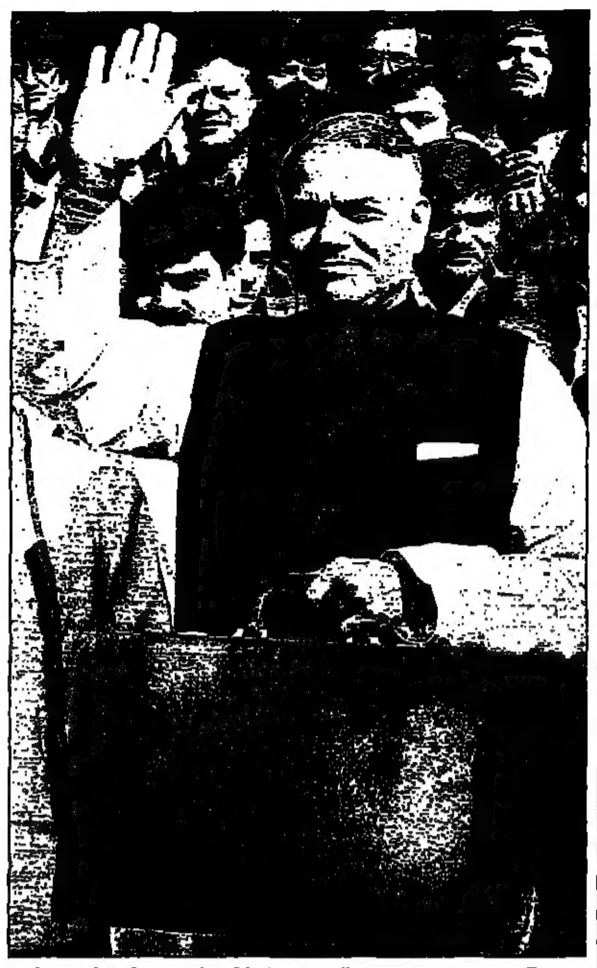
The reformist core of the budget, which made more promises of structural reforms than direct commitments, lay in a simplification of indirect tax bands, cutting to five bands from seven the rates of customs duty and to three from 11 the number of excise bands.

Based on a currently optimistic growth forecast of between 6.5 per cent and 7 per cent for next year, against 5.8 per cent this year, and a 20 per cent surge in tax receipts, he promised to cut the fiscal deficit next year to 4 per cent of GDP.

However, several analysts pointed out that this sharp cut rests partly on ambitious revenue forecasts – including an expected record Rs100bn ($2.35bn) from disinvestment – along with some juggling of figures.

Next year's deficit is calculated on the basis of a new series of GDP figures, which have on average raised national income figures by 9 per cent, thus trimming all ratios to GDP. Mr Sinha's deficit forecast also rests on removing "small savings" from the calculation – savings receipts which are lent to the states and form part of the government's consolidated spending. Commentators said that, on a like-for-like basis, including "small savings" and using the old series GDP figures, the deficit target next year would amount to 5.8 per cent of GDP, higher than this year's missed target.

The finance minister promised to address high government spending by starting to "downsize" the bureaucracy and appointing an expenditure reforms commission. But the only concrete step was the abolition of four senior bureaucratic posts, prompting scepticism over the government's likely ability to contain spending.



Sinha: budget largely devoid of nationalist measures Reuters

Minister's measures likely to buoy markets

By Krishna Guha in Bombay

India's stock markets open today for the first full session of post-budget trading. They are likely to be in a buoyant mood following a 5 per cent rise in the BSE-30 index to 3,399 after the speech of Yashwant Sinha, the finance minister, on Saturday.

Local investors were pleased with a package of measures to boost India's capital markets and rescue the country's biggest mutual fund, the crisis-hit US-64 scheme. The government will buy back privatisation shares with a market value of about Rs 28bn ($660m) from US-64 at their book value of Rs 48bn.

The bail-out will be routed through a new fund financed by a special issue of government bonds. It will help bridge the gap between US-64's assets and liabilities, which touched $1bn last year, and enable the guaranteed return fund to move over to a system of market-based pricing.

Mr Sinha also announced plans to cut long-term capital gains tax from 20 per cent to 10 per cent, and make dividends from equity mutual funds tax-free.

"I believe the mutual fund industry is poised for very rapid growth," said P.S. Subramanyam, chairman of state-owned Unit Trust of India, which manages the US-64 fund.

The market was further heartened by moves to facilitate corporate restructuring. Mergers and acquisitions will be exempt from capital gains tax, while Mr Sinha promised a review of competition policy.

Industry, however, was less elated. Companies already under pressure from sluggish growth and low commodity prices will be hit by a 10 per cent surcharge on direct taxes. Personal tax rates for affluent middle class consumers and customs duties will also rise. "Clearly there is an implication for growth in profits and profitability," said Robert Gibson, managing director of Jardine Fleming India.

Corporate tax rises will be partly alleviated by the decision to restore 100 per cent Modvat credit, which enables companies to offset fully taxes on inputs against taxes on finished goods.

Analysts welcomed a change in tone from Mr Sinha's first budget last year. This time he focused on the need to promote India's sunrise industries – software, pharmaceuticals and media – rather than bail out heavy industries.

Last year's ill-fated attempt to kick-start the economy through higher government expenditure on infrastructure gave way to a more sober effort to curtail the fiscal deficit. Mr Sinha attempted to simplify the indirect tax regime.

"It is a lobby-proof budget," said R. Ravimohan, managing director of Crisil, the credit rating agency. Indian banks, which face a wave of bad debts, receive new tax concessions to encourage them to write off non-performing assets. Bankers will be able to offset such provisions against tax, subject to an annual limit.

Housing lenders such as Housing Development Finance Corporation will profit from an increase in tax breaks for home loans, and moves to tighten foreclosure laws.

India's pharmaceutical industry could be helped by plans to review the country's restrictive pricing regime for drugs, and moves to support indigenous research and development.

Mr Sinha is encouraging foreign investment in pharmaceuticals by permitting 74 per cent foreign ownership.

India's booming software sector will be allowed to import hardware free of customs duty. There are new benefits for export-oriented media companies.

The tobacco industry and the fast-moving consumer goods sector also gain from lower-than-expected rises in duties. The tax on packaged tea is to be abolished.

"The main news in the budget is what did not happen," said Sangeev Mohta, director of HSBC Securities. "Successful industries were not punished with tax rises, there were no tax breaks for petrochemicals producers, and no moves to speed up liberalisation of the petroleum sector."

The vehicle manufacturing industry, already hit by the recession, suffered a fresh blow with the announcement of a new levy on diesel, the country's most popular fuel.

NEWS DIGEST

MALAYSIAN CONTROVERSY

Former police chief admits he beat Anwar

Malaysia's former police chief has admitted beating Anwar Ibrahim, the sacked deputy prime minister. The admission by Abdul Rahim Noor, made through his lawyer, will embarrass Malaysians, though not necessarily surprise them. Mr Abdul Rahim resigned when the authorities admitted, after an extended inquiry, that police were responsible for bruises and injuries suffered by Mr Anwar during his detention. But no single officer was named. Mahathir Mohamad, the prime minister, who was also home minister at the time and in charge of the police, initially suggested the injuries could have been self-inflicted.

Teh Poh Teik, Mr Abdul Rahim's lawyer, said that his client told him to admit to the assault and that he had "acted under grave provocation". Mr Anwar's treatment has put the spotlight on Malaysia and provoked a backlash against the administration of Dr Mahathir. Social activists said Malaysians would be watching closely to see how Mr Abdul Rahim is punished. **Sheila McNulty, Kuala Lumpur**

PHILIPPINE IMPASSE

Rebel talks plan founders

Plans for talks between Joseph Estrada, the Philippine president, and an Islamic rebel group broke down over the weekend. Mr Estrada had flown to the southern island of Mindanao for talks with leaders of the Moro Islamic Liberation Front (MILF) which has been fighting for the creation of an independent Islamic state for nearly 20 years.

Army officials said plans for talks foundered because of disputes over the location for the meeting and the number of troops allowed to accompany the MILF leaders.

At an army base in the southern town of Cutabato, Mr Estrada said any future talks would have to be conducted on government terms and would not include discussion of an independent state. **Tony Tassell, Cutabato, Mindanao**

THAILAND ECONOMY

Trade surplus narrows

Thailand's trade surplus narrowed in January, a sign that exports – a key component of the country's economy – may revive in the coming months. The trade surplus in January was $316m compared with a surplus in December of $1.23bn. Exports fell 4.8 per cent year-on-year compared with an 8.5 per cent decline a month earlier. Imports were also down 4.8 per cent year-on-year compared with a decline of 15.8 per cent in the previous month.

Economists say the bottoming-out of the crucial import figure – this is the first single-digit decline in more than a year – portends well for exports later this year as Thailand's exportable goods traditionally have a high import content. The central bank forecasts 4 per cent growth in exports this year. Imports must pick up and the trade deficit must narrow for that target to be reached.

Other figures released yesterday showed private investment, which in the past has accounted for about 30 per cent of gross domestic product, continues to collapse, falling 23.6 per cent in December compared with a 23.5 per cent decline in November. Commercial bank credit fell 13 per cent year-on-year in January compared with a decline of 9.6 per cent in December. **Ted Bardacke, Bangkok**

READING

The newspaper industry is committed to recycling. In 1997 waste paper accounted for over 40% of the fibre used to make UK newspapers.

BETWEEN

Recycling makes optimum use of papermaking fibres, but new fibres will always be needed to replace those worn out and papers which cannot be recovered.

THE LINES

the facts are clear

TO FIND OUT MORE ABOUT THE USE OF RAW MATERIALS IN THE NEWSPAPER INDUSTRY:

DIAL THE FAX BACK NUMBER 0660 616231

0660 calls cost 50p per minute at all times

NEWSPAPERS SUPPORT RECYCLING

OR WRITE TO:
1 RIVENHALL ROAD,
WESTLEA,
SWINDON, SN5 7BD
TELEPHONE: 01793 879229
FAX: 01793 886182

Issued by the NEWSPRINT & NEWSPAPER INDUSTRY ENVIRONMENTAL ACTION GROUP

Opposition grows to government's stance on euro

By Andrew Parker, Political Correspondent

The government will today provide the first substantive evidence of its decision to speed up preparation for UK membership of the European single currency, as opposition to the euro intensifies.

Lord Owen, the former Labour foreign secretary, is this morning launching New Europe, a heavyweight anti-euro grouping that claims "Britain will be better off outside the single currency".

William Hague, leader of the opposition Conservative party, yesterday announced he was forming a committee of academics and economists who will examine the possible advantages of retaining sterling.

However Stephen Byers, trade and industry secretary, will counter the anti-euro offensive by outlining how payments from a government fund to nurture businesses can be made in euros.

The announcement is the first manifestation of prime minister Tony Blair's symbolically important statement last week about changing up a gear in preparation by the public and private sectors for the euro. The prime minister's official spokesman said it was inevitable pro and anti groups would form around the euro. "As far as the government is concerned, we have got the right policy and will continue to promote it," he added, referring to the "prepare and decide" strategy.

The Department of Trade and Industry's planned enterprise fund will distribute £150m over three years to growing businesses. "This is part of moving up a gear," Mr Byers will tell Europe 21, a pro-euro business group, today.

"I am looking into offering euro support under the enterprise fund. In fact, my general policy will be to offer a euro facility to enhance a scheme's effectiveness where there is sufficient demand," he will say, pointing out how grants for inward investments can already be paid in euros.

New Europe's advisory council includes Lord Healey, former Labour chancellor of the Exchequer, and Lord Prior, former Conservative employment minister.

Lord Owen said he would be prepared share a platform with Conservative Eurosceptics in the planned referendum on the single currency. "What I worry about is the sort of fashionable view emerging that somehow you must join the euro," he said.

Lord Healey said he believed the euro-zone would collapse before Mr Blair called the referendum expected shortly after the next general election.

While not insisting that the UK should never join the euro, New Europe says in its mission statement: "There are political dangers of instability and even insurrection from having a currency strait-jacket imposed across the diverse 15 nations within the present EU, even more so for an enlarged EU... Viewed over the perspective of 30 or more years, single currency zones have either broken up in the past or chosen to coalesce into one larger nation."

The battle will be joined with the pro-euro lobby next month when the European Movement outlines a number of senior businesspeople, politicians and trade unionists to argue for UK membership of the single currency. Kenneth Clarke, a former Conservative chancellor, and Lord Marshall, chairman of British Airways, may have prominent roles.

Meanwhile, Mr Hague was hit by fresh difficulties over his hardline stance against the euro. Two former Conservative MEPs said they will run a list of pro-euro candidates in June's European parliament elections, which could damage the Conservative party's chances in the poll.

Proton to join trend for direct retailing of cars

By Haig Simonian, Motor Industry Correspondent

Britain's reputation as the testing ground for innovative car retailing will be reinforced as Proton joins the growing band of manufacturers selling directly to customers.

The embattled Malaysian carmaker plans to sell vehicles directly to customers in the south Midlands, according to the latest issue of Motor Trader, the specialist trade publication.

The scheme covers large towns, including Leicester, Rugby and Warwick, where Proton has no dealers. It follows similar experiments by Daewoo of South Korea and Daihatsu, the Japanese mini-car specialist.

Such innovations by small or unfamiliar brands come against a background of bigger changes sweeping more established marques.

This year, Ford Motor joined forces with the Jardine group to bid for one of its biggest franchised UK dealers as part of a wider trend among carmakers to cut retailing and distribution costs.

Proton hopes direct selling will boost UK sales sharply. The company sold almost 15,000 vehicles in Britain in 1992. However, registrations fell to about half that last year as new management withdrew from low margin sales to daily rental companies.

Pressure on Proton to boost sales in the UK – its biggest export market – has grown because of collapsing demand in Malaysia. Domestic sales fell 55 per cent to 87,000 units last year from almost 197,000 in 1997 because of economic turmoil at home.

Instead of franchising independent dealers, Proton will use sales staff from a company-owned Coventry dealership to offer a doorstep service to prospective buyers in neighbouring areas.

KPMG backs accounting standards plan

By Jim Kelly, Accountancy Correspondent

KPMG, the Big Five audit firm, has called on the UK to back Brussels' plan to impose international accounting standards on all listed companies within the European Union as a necessary first step towards global harmonisation.

"We are looking for global harmonisation and people must realise compromises will be inevitable," said Michael Hughes, a senior accounting partner at KPMG, which has championed the cause of UK entry into the euro-zone.

"We believe that the International Accounting Standards Committee is the appropriate platform – the UK cannot bury its head in the sand," said Mr Hughes. He said the firm backed EU harmonisation if it led to a global code. "If EU harmonisation brings the US to the table then it will be a price worth paying."

The firm's public backing for the IASC will be seen as one of the opening shots in what could be a heated debate in the UK about which standards should be used and which body should set them.

It is also a striking example of the Big Five firms staking out surprising positions on policy matters in an attempt to differentiate themselves and build a recognisable brand image.

The European Commission has advised EU finance ministers that its preferred option is for all listed companies to follow IASs. This would amount to a revolution in financial reporting in some countries – such as Germany.

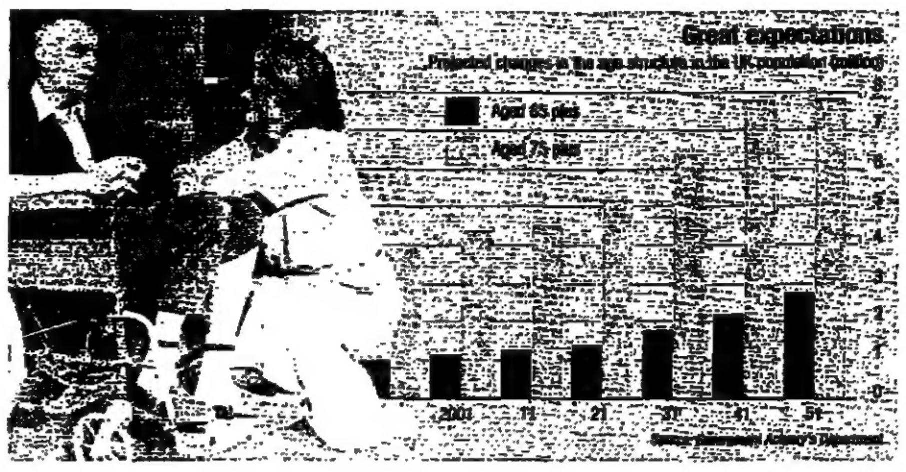
In the UK the move would threaten the power of the UK Accounting Standards Board led by Sir David Tweedie. KPMG suggests UK companies would report under IASs but include a separate note of results compiled using UK rules.

Last week, the government's long-term review of company law began with a consultation document that asked for views on the issue.

But the Company Law Review Steering Group warned any move towards IASs might undermine the ASB's global leadership role, lead to a gap between listed companies and the rest of business, and reintroduce abuses into UK reporting.

UK learns from others on reform of care for the elderly

Commission to urge care outside of hospital be funded by the taxpayer, says **Nicholas Timmins**



In common with many other countries, the UK is seeking to reform the way the elderly are cared for in a society with an increasingly "greying" population.

A royal commission examining the future of care for the elderly in Britain looked at systems in several other countries before making its recommendations for the UK, to be published today.

It will propose that, in the UK, nursing and personal care for those outside hospital should become free and be funded through the tax system.

If the proposals are adopted, social care – home-delivered meals, cleaning and similar services, along with the "hotel" costs of accommodation in residential and nursing homes – would remain means-tested.

The commission's recommendations are expected to add more than £5bn ($8bn) to public spending in real terms over the next half century. But they would reduce the chances of people losing their homes to pay for care in their old age.

But a minority report by two of the 12 commissioners is expected to argue that such a policy would chiefly benefit the better off and might not be sustainable.

This view has impressed the government, which is likely today to give the majority report only the most cautious welcome.

The commission looked at how Australia, Denmark, Germany, New Zealand, and the US care for their old people. The US has most experience in attempting to use private insurance to meet the needs of the elderly, both for care in their own homes and in residential and nursing homes.

However, only a minority of elderly people can afford good long-term care insurance. There are problems of moral hazard – where people insure when they believe they are very likely to claim – and of adverse selection – where companies attempt to screen out those most likely to claim.

There is also a high lapse rate. Not counting those who die before needing long-term care, about half of those taking out a policy let it lapse within five years and 75 per cent within 15 years.

Attempts to use private insurance in partnership with the state, by using Medicaid to cover longer and more expensive spells of care, have also encountered problems.

The UK's commission agrees with a recent judgment that these partnership schemes have "failed the market test" with only 30,000 policies sold in four states with a combined elderly population of 7.2m. For the industry, long-term care insurance is "probably the riskiest product insurers can sell". It therefore concludes that for future options "it seems prudent to conclude that public sources will continue to bear the larger portion of the risk of long-term care".

Germany has recently built up a new social insurance system, based on an extra 1.7 per cent payroll tax that would rise to 2.4 per cent by about 2040. Clients can take services direct, via a voucher, or a lower cash equivalent.

Early indications are that most people have opted for cash so that, initially, the service has proved less expensive than expected.

Japan and Luxembourg are considering social insurance models. But none of the countries with a tax-funded national health service such as Australia, New Zealand and Denmark, have chosen the social insurance route, preferring instead to introduce charges for the social, as opposed to nursing or medical, elements of care.

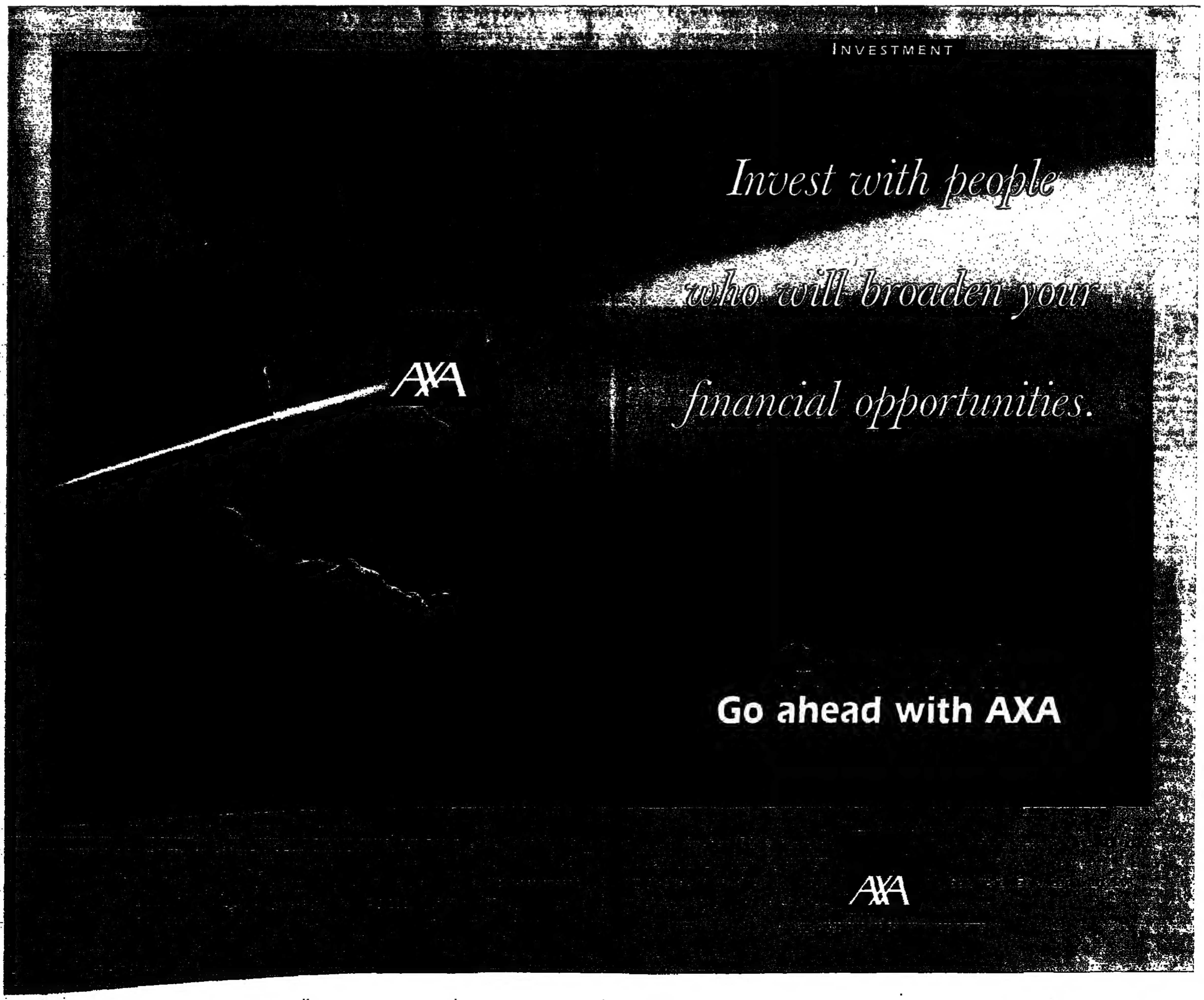
Only one country, Denmark, provides free home help services as of right to all those assessed as needing it, with about a fifth of the elderly receiving the service.

The countries analysed have very different systems and levels of cost. But there appears little connection between the generosity of a system and how far governments and electors feel it is sustainable. The most popular system – Denmark's – was also the one requiring the highest taxes.

New Zealand, the commission notes, has a highly means-tested system that risks "pauperisation" since any assets above £2,000 can be claimed before care is delivered entirely free.

Carers can be particularly hard hit as they may provide time caring at home, with little support, and then, when they cannot continue, see assets that their spouse or parent wished to pass on used up.

"In effect, they pay twice: once by giving free care and then again by loss of inheritance. Families lucky enough to avoid the need for care gain twice. Some balancing of the risk and the cost through public programmes seems only equitable," the commission concludes.



INSIDE TRACK

PROFILE FRANÇOIS ROUSSELY

Under the spotlight

The former civil servant is confident he can manage change at France's state-owned electricity group, write **David Owen** and **Robert Graham**

You have probably heard about "l'exception Française". But had you thought of managing it? This, it could be argued, is what François Roussely, chairman of Electricité de France (EdF), spends most of his professional life doing.

In an increasingly homogenised business world, there are few areas where France's often cussed insistence on going its own way is more apparent than in the sphere of electricity.

While others have shied away from or slowed down development of nuclear power, France, without adequate reserves of fossil fuels, has single-mindedly developed a network of 58 nuclear plants that accounts for about three quarters of the country's electricity production. While others have broken their electricity industries up, France retains – in EdF – an integrated and monolithic state-owned supplier.

This French exception has not escaped the European Union's directive obliging member states to begin opening their electricity markets, which took effect on February 19. But France intends to limit liberalisation to the minimum threshold fixed by the directive (about 26 per cent of the market for 1999), and the bill transposing the instrument into French law only recently started what may be a rather tortuous journey through parliament.

A glance through Mr Roussely's CV seems to provide further evidence of France's determination to brook as few changes as possible in what is regarded as a highly strategic industry. A career civil servant, with spells

'I felt the challenge for the company was a managerial one... rightly or wrongly, I felt I could do that'

at SNCF, the state-owned rail company, as well as the national police and the interior and defence ministries, he hardly seems the type to send Europe's biggest power supplier into a brave new liberalised world bristling with aggression.

When France Telecom was in a similar position, the then centre-right government chose, in Michel Bon, a chairman whose career included a spell with Carrefour, the hypermarket operator. Nor would proponents of rapid and sweeping change be reassured by the emphasis Mr Roussely, a Socialist, repeatedly lays on the company's traditional public service ethic.

But after eight months in the job, the EdF chairman, 54, has shown a willingness to break the mould. He has reorganised the company and broken it into two poles, introducing the idea of a customer division. He has brought in an outsider – Loïc Capéran, formerly of Fiat and Renault – to head this new client pole. "He was world commercial and marketing director for a product in one of the most competitive sectors in the world – the car industry," he says, explaining the appointment. Mr Capéran's role will be almost as important as Mr Roussely's own in determining whether or not EdF makes a success of the new market environment.

Asked whether he himself has the right experience to manage a company in the competitive sector, Mr Roussely – who earned much respect for his role in helping to restructure the French defence industry in the first year of the Jospin government – responds with typical level-headedness. "If the boss of Enron had become head of EdF, he would certainly have a lot more qualities than me for doing a certain number of things. And perhaps he would have been less well adapted to French social and political realities.

"I felt the challenge for the company was a managerial one, a challenge of organisation, of remobilising the staff and also of creating a calmer social climate. Rightly or wrongly, I felt I could do that."

It is also apparent that Mr Roussely feels an affinity with EdF by virtue of the fact that his father worked for the company. When the chance came for him to become chairman after the departure of Edmond Alphandéry, following a protracted and damaging period of management in-fighting, this personal tie must have made it difficult for him to even consider refusing. It also helps to confer on him a legitimacy that might otherwise have taken time to build up in an organisation that has traditionally viewed outside management with suspicion.

He is clearly proud of having secured trade union agreement for a deal implementing a 35-hour work week, not just for its own sake – and because it will pave the way for the departure of 15,000 staff and the recruitment of 18,000 young people – but for the unifying effect he expects it to have. "If there had been no negotiations on working time, I would have found another pretext for concluding a deal with the five trade union organisations," he says. "Why? Because you cannot engage a company of 100,000 people in changes of this scale without a minimum of social agreement."

True to his origins in the rugby heartlands of south-western France, he uses a rugby analogy – based on the Haka chanted by the New Zealand All Blacks before the start of international matches – to elucidate further. "It is the cry with which they say they are going to beat their adversary. A social agreement in a company of this size is a way of saying ... we have enough confidence in ourselves to go out and face the future. It is an act of collective faith in our company."

He is not afraid of competition and thinks much will have to change at EdF if it is to respond satisfactorily to even the limited competition it now faces. "We used to be an industrial company that produced electricity," he says. "Today, that is not enough: you have to sell it."

He advocates moving from the simple supply of kilowatt hours to broader contracts covering a range of related services. In spite of the company's extensive nuclear network, he sees a need for EdF to develop a position in gas, a fuel whose competitive position has improved markedly in recent years.

"I have always said we ought to get closer to Gaz de France so as to have a multi-energy approach, like the rest of the world's electricity companies. That means being capable of having both nuclear- and gas-derived electricity in the services we offer. It means that we must at least make common offers with Gaz de France, rather than competing with each other. Without that we would be the only [large] electricity company in the world without a gas capability."

With part of the group's home market for the first time up for grabs, export markets, particularly Europe, have assumed even greater importance. "If we want to follow our clients, we must be European," he says. "None of our big clients is purely national. All are European, if not global. That implies we must have a policy of being present in Europe."

His reign will be instructive, not least for the light it sheds on whether a graduate of France's elite Ecole Nationale d'Administration can step into the spotlight after 30 years behind the scenes at the heart of the French state and successfully manage an industrial company in the cut-throat modern business world. But succeed or fail, it is hard to imagine that his eventual successor as chairman of this unique national institution will not come from a more commercial background. Mr Roussely may be among the last elite civil servants to make the once archetypically French career switch into industrial management.

Essential Guide to François Roussely

Facts of life: born the Dordogne, January 9 1945 – a year before nationalisation of the electricity industry. Attended elite Ecole Nationale d'Administration 1976 to 1978. Moved through succession of senior government administration and public sector posts culminating in appointment as EdF chairman last July. He summarises his career thus: "I think what I have done – six years of defence restructuring, two years of defence industry restructuring, prior to that trying to modernise the police, or prior to that trying to modernise the local communities – all that is the same idea. That's how to modernise very broad state structures. 36,000 communes, 100,000 police officers ... or 100,000 EdF agents. I'm not saying it's the same thing, but there are many common elements. In essence, what I have tried to do is make big public structures move and make them in some way more open."

Most difficult professional decision: leaving SNCF after six months to return to defence ministry in wake of left's general election victory in June 1997. "I had a great time [at SNCF] because practically every week I'd spend two days in the field surrounded by rail employees explaining what modernisation and the opening up of Europe were. I like [spending time in the field] a lot."

Dramatically timed exit: defence executives tell how plan to merge Aerospatiale with Lagardère's defence interests was hatched over lunch on June 28. Roussely said to have been informed the following day. Two days later was named EdF chairman.

Obscure reading matter: *The history of electricity deregulation in Sweden.* "The big paper plants, at a given moment, left their historical producer, even though it was cheaper, simply to demonstrate first that they were not permanently tied, and second to try out a relationship with another electricity producer. They did it for three years and then came back saying it wasn't all that good after all."

LUCY KELLAWAY

The myth of the management crisis

Unrealistic expectations are fanning the belief that there is a shortage of people fit for top jobs

There is, we are told, a serious shortage of people fit to run the world's biggest companies. The CEO job market is painfully tight. According to John Quelch, head of the London Business School, there are not many executives who are up to the job. "There are so many challenges out there now which chief executives have to address...it is not easy finding the right people," he told Management Today.

I do not believe in this CEO crisis. Consider supply and demand. The number of top jobs is shrinking, as every mega-merger reduces the number of positions available. At the same time the pool of talent is surely getting larger. Think of all the people scrambling up the ladder in all those big companies. Think of all the training, all the experience, all the striving. How can there be a famine at the top?

I blame the "shortage" on our expectations. Because we ask the impossible from chief executives, it is not surprising that we can find so few people who fit the bill. If we expect the chief executive to deliver a stream of flawless rising earnings, to understand technology, to grasp every world market, to be a brilliant team player and visionary, to be a great communicator and motivator, then it is not surprising that we find the pool of possible candidates is small.

It is in the interests of headhunters to fan these expectations and make us believe that there is a perfect person for the job somewhere, and that if they comb hard enough they will find him. They have encouraged us to believe that any organisation with problems needs an outsider to shake it up.

This is the pattern: the "perfect" candidate is found for a job. He is hyped, the company's share price rises and the honeymoon begins. Then the company runs into trouble, as it always will; the knee-jerk response is to get rid of the top person and the search for perfection begins again.

In fact, in all but the most feebly run companies, the good enough chief executive is right under their noses. As Professor John Hunt pointed out in the FT, it is hard to believe that among Barclays' 78,000 employees there was not someone good enough to run the place.

But the market does not see succession that way. Any company that dares to choose an inside candidate can expect a lukewarm response. Look at what happened to Cable and Wireless when it gave its top job to Graham Wallace. *Safe but unexciting*, was how our very own Lex column dismissed him.

But who wants excitement? Surely in these risky corporate times excitement has little to recommend it. That someone is safe and knows something about the company strikes me as the best recommendation.

* * *

"Dear Paul", began the letter my colleague received the other day. "I understand that you are driving a range of operational changes which we believe we can help you with."

As it happens, the only thing my colleague drives is a Mitsubishi. But even if he were driving a range of operational changes it is unlikely he would have been impressed by this pitch from a consultancy called Unipower Systems. "We expect to help the senior team release 15-20 per cent of the current portfolio of resources," the letter went on. What does that mean, I wonder? Fire one-fifth of the staff?

* * *

There is an awful lot of spurious "driving" going on in the world of management consultancy. Consider the title of a pamphlet sent out by Boston Consulting Group: "How Deconstruction Drives De-averaging." According to the covering letter, this pamphlet is so important that senior executives "will question some of their most deeply held assumptions about their business". That is, if they can understand a word of it. "The de-averaging of competitive advantage can...undermine its traditional sources of advantage," the pamphlet says. I am going to have to take that one on trust.

* * *

At last: something sensible on the subject of knowledge management. Consultants KPMG have started warning clients of the dangers of drowning in the stuff. What seems to have happened is that companies have got so excited about the dawning of the knowledge age that they are hoarding knowledge, and now have so much they can never find the stuff that they need.

According to KPMG, the main task of the chief knowledge officer (I still blanch at the title) is as much to chuck it out as to amass it. That sounds like an exciting job to me. There is nothing more satisfying than sweeping the entire contents of my desk into the bin. Perhaps I've found my métier.

lucy.kellaway@FT.com

W HAT BROUGHT THEM TOGETHER? A WORLD OF OPPORTUNITIES.
WHAT KEEPS THEM TOGETHER? A WORLD OF SOLUTIONS.

On the one hand: issuers from all points on the planet. On the other hand: individual and institutional investors looking for opportunities. ● What brings them together? The world's widest range of solutions in global custody, depositary receipts, securities lending, currency management services, cash management, and execution services. ● Right now, thousands of investment managers, bankers, brokers, and finance officers in public and private organizations are using The Bank of New York to create, maintain, and enhance relationships with their investors. ● No other bank offers more solutions than The Bank of New York.

SOLUTIONS FOR INVESTORS AND ISSUERS WORLDWIDE℠

ISSUERS INVESTORS

● GLOBAL CUSTODY ● ADRs ● SECURITIES LENDING ● TRANSFER AGENCY SERVICES ● GLOBAL CLEARANCE

INSIDE TRACK

BUSINESS EDUCATION ENTREPRENEURSHIP

Combined force for innovation

Madrid's IE and 20 participating schools have acted on their own advice, says **Della Bradshaw**

Madrid's Instituto de Empresa (IE) prides itself on developing some of Spain's brightest entrepreneurs. No surprise, then, that it has adopted much of its own innovative thinking in its latest venture, the International Entrepreneurship Centre.

IE's structure is characterised by a handful of interdisciplinary centres set up during the past three years, in areas such as family business, technology development for small businesses and corporate governance. This one is special because IE is working with other business schools to develop a site where budding entrepreneurs can bring their ideas and potential investors can decide whether to fund them.

Although the site will be set up in Madrid, the 20 participating schools will run the centre on a co-operative basis, says Ignacio de la Vega, a former IE academic who has been lured back by the school from the private sector to head the centre.

He believes there is real potential for a site which logs international projects – he envisages students from schools in Europe, the US and Latin America working internationally on their ideas – which require less than $1m of funding.

Mr de la Vega has already contacted 40 international business schools which specialise in entrepreneurship about joining the project. For the schools, membership will be free, and Mr de la Vega expects 15 schools to have signed up for the centre by the summer.

Fees for potential investors, who will gain electronic access to the site, will be set between $7,000 and $10,000. Mr de la Vega is expecting venture capital companies and business angels to take up the scheme.

The bulk of the finance for the project will come from a technology and a banking sponsor. So far, two companies have agreed to be joint technology sponsors: IBM and Airtel, the Spanish mobile phone company.

Mr de la Vega believes the centre will be a bonus for students from the participating schools, where MBAs are frequently required to develop a business plan. At IE, for example, the business plan forms part of the core course and is introduced within the first few weeks.

MBAs at IE develop 150 business plans a year as a result. Mr de la Vega believes 30 or 40 of those would have the international content that would make them eligible for posting on the site. That number could be multiplied by the number of participating schools.

The centre will change the kind of projects developed in business schools, believes Manuel Bermejo, director of the MBA programme at IE and director of entrepreneurship there. "The projects will be closer to market. The centre is a chance to open the minds of students and faculty members."

IE stands out from many larger business schools in the US or Europe, in that its students are particularly entrepreneurially minded. About one third of MBAs at the school already come from family businesses and in a recent survey 55 per cent were adamant that they wanted to be their own bosses. A further 43 per cent of the students said they would probably become entrepreneurs.

All students at participating schools will have access to the website and will be able to work with their peers to develop the projects internationally.

Once the centre is established, alumni from the schools will also be able access the projects and eventually Mr de la Vega envisages that online courses in entrepreneurship will be run on the site with participants talking to an online tutor in entrepreneurship.

Mr de la Vega believes it will take only a year for the project to demonstrate its worth. "In one year, we'll have the key to its success: we will have enough good projects available for our investors."

BUSINESS EDUCATION INTERNET

L-plates for IT students

The OU course is a groundbreaker, says **Stephen McGookin**

The Open University this week launched its first course to be taught entirely via the internet.

The university has long used computer networks and bulletin boards to bring together far-flung students across a range of subjects.

The new course, "You, Your Computer and the Net", or number T171, relies entirely on online tuition, with no personal contact or residential schools.

All 2,000 students who have signed up will be taught by means of a dedicated web site. They will use support materials on CD-Rom as well as specially written OU booklets.

Participants will have e-mail access to an individual tutor and will work in online teams for joint assignments, as is common with existing OU courses that rely on "supported distance learning".

The course is also groundbreaking in that it is aimed at students who have little or no technical knowledge of the internet and in that there are no academic prerequisites for taking it.

John Naughton, senior lecturer in systems at the OU, says demand for the course has been overwhelming. Staff were staggered by the speed at which the quota had been filled.

Five hundred students were admitted to the initial test presentation.

Naughton, whose book *A Brief History of the Future – Origins and Destiny of the Internet* will be published this summer, believes the course will equip new students with the skills needed for further study.

The course will carry 30 credit points, in three 10-point modules running the gamut of instruction from basic PC operating principles to publishing web pages and organising online conferencing. It will lead to an existing course – "Computing: an Object-Orientated Approach".

The OU says the new course is aimed at those "who feel apprehensive about the apparently inexorable march of the new communications technologies".

Which sounds like it could be pretty well all of us.

Details at http://t171.open.ac.uk/pres while the OU inquiry line is 01908 653231

INTERVIEW CAROLYN WOO OF THE UNIVERSITY OF NOTRE DAME

Something out of the ordinary

George Bickerstaffe on ambitious plans to get the university's MBA programme towards the top of the rankings

When the College of Business at the University of Notre Dame in Illinois in the US appointed a new dean in 1997 it came up with an unusual choice: Carolyn Woo, a specialist in strategy, entrepreneurship and technology, born in Hong Kong.

"I am very different to the typical Notre Dame profile," says Prof Woo. "I am not an alumnus; I'm not a man and I'm not a Caucasian." But Notre Dame needed something out of the ordinary (and in fact it courted Prof Woo assiduously during most of the 1990s).

Although the college's undergraduate and postgraduate accounting programmes are highly rated, its MBA programme languishes in the lower reaches of business school rankings. The aim is to get the programme within the top 25 within five years.

"Notre Dame's MBA programme is about 30 years old but up to now has not had a culture of strongly promoting and marketing itself," says Prof Woo. "It's a sort of a gracious mentality that education is not for promotion. But the market place has changed in the past 10 years. Until about two years ago we didn't have a formal placement office for the MBA, again stemming from the notion that education is to prepare your mind, not to prepare for a job."

Prof Woo has adopted a five-point plan to achieve her goal, starting with improving the marketing of the programme and, crucially, increasing the size of the programme and the quality of students admitted.

The 1998 incoming class has 120 students in the main two-year programme (up from 90 in 1997) and there are plans to expand it to 130 in two sections.

The college has a significant war chest in the form of fellowships (scholarships at the postgraduate level) to attract the brightest and the best. Last year it handed out about $1.4m fellowship money.

Caroline Woo: unusual choice

Currently about 30 per cent of MBA students are international, mainly from Asia, Latin America and Europe. "We try to keep it about that level, though we could go higher if we wanted," says Prof Woo. "But about 15 per cent are also minorities, so 45 per cent of our students are non-US mainstream." Prof Woo is also boosting the curriculum, particularly the provision of new elective courses in areas such as entrepreneurship, organisational consulting, accounting and finance.

"The third area," says Prof Woo, "is placement. We are building a new placement centre to be ready by this summer. What we are trying to improve is the number of offers per student and the salaries per students.

"The next is our day-to-day operations. We're really tightening that process to make sure we render excellent services and we do it in a way that is efficient. So there is a lot of process re-engineering that has been done."

The fifth area is culture. Like the university, the college has a strong sense of the Catholic religion and a commitment to the teaching and practice of business ethics. Prof Woo, herself a Catholic, comments: "One reason I came to Notre Dame was because I wanted to be part of an MBA programme that had a very strong sense of values and a strong sense of stewardship in addition to being very rigorous.

"I am concerned that we are training young people and preparing them to succeed beyond their wildest imagining. It is not unusual that three years or even one year after graduation students start making $100,000-$150,000, carrying wonderful titles and wonderful responsibilities. But I don't want to prepare people who are casual and dismissive about decision making. I don't want them to be arrogant."

The teaching of ethics is a tradition at Notre Dame. There are four professors whose main area of research and teaching is ethics and about 15 others who do secondary work in this area. "But," says Prof Woo, "it's about more than ethics, or ethics as a course. It's more a sense of who we are, what are our values, and what are the roots from which we go into the world to do this work. There's nothing wrong with an MBA or a business career or business success but it's about whether you can handle the seductions that come with it."

NEWS FROM CAMPUS

Stock answer to faculty appraisals

Staff appraisal has taken a new twist at the Katz School of Business at the University of Pittsburgh. The dean of the school, Frederick Winter, is giving "stock options" to faculty and staff based on the school's performance.

The dean will track the value of the "stock" based on issues such as Katz's place in business school rankings, the quality of incoming students and the starting salaries of new MBA graduates.

The "stocks" issued can be cashed in by Katz employees and, while the stock is phantom, the cash is very real.

● To help entrepreneurs grow their businesses, rather than merging or selling them, the Katz school has set up a centre offering courses and mentoring to companies with a turnover of between $23m (£14m) and $40m.

The Entrepreneurial Fellows Centre will run a 10-month programme that includes a presentation by Katz faculty and business leaders, participation in a peer advisory group, access to a private web site and mentoring by seasoned entrepreneurs.

Katz: US, 412 648 1500

Strategy the IT way

The MIT Sloan school of management, and Iese in Barcelona will be holding a one-week residential course, *Strategic Management in the Information Age*, in Barcelona from May 30.

Participants will learn how IT can be used to make more effective business decisions in areas such as strategic management and the redesigning of business processes.

The course will use interactive learning methods, including simulations.

● MIT has also become the latest business school to agree a student exchange programme with Iese. Other US schools with which Iese has an agreement include Kellogg, Wharton, Chicago, Michigan and Columbia.

Iese: www.iese.es

New options for arts graduates

Because respectable business schools require would-be MBAs to have management experience, university students with a degree in the arts and sciences have traditionally had few options if they then want to go straight on to convert to a course in management.

In the UK, Lancaster University has redressed the problem with a masters degree in management which is due to begin in October and will be open to new graduates from any discipline.

The first intake of students will be limited to 25 but the class is projected to grow to 50 within two years.

Lancaster: www.lancs.ac.uk/users/manschool

Iowa renames business school

The University of Iowa has renamed its business school the Henry B Tippie College of Business in recognition of $30m donated by Mr Tippie over a number of years. He made his first donation of $10m in 1957.

Mr Tippie, a 1949 graduate of the University of Iowa College of Commerce and now 72 years old, holds directorships with a large number of industrial and service companies.

University of Iowa: www.biz.uiowa.edu

MA in Chinese management

Increasing opportunities for trade with China has spurred Middlesex University Business School in London to develop a masters degree in Chinese management.

The new MA will equip students with an understanding of China and Chinese business practices by the school's China Management Centre.

Middlesex University Business School: UK, 181 362 5000

Lecture from CBI head

The director of the UK's CBI, Adair Turner, will deliver the Association of MBA's annual McCormick lecture at London Business School on March 16. The lecture, *Competitiveness, Growth and Employment, Europe's Prospects in a Global Economy*, will cover issues such as the impact of the euro, the problems of high unemployment in Europe and the impact of globalisation on the European economy.

● The Association of MBAs has again teamed up with Hobsons Publishing to provide an MBA scholarship, this time for a student beginning a programme in 1999. The first winner of the scholarship was Elaine Soanes, now studying at Insead in Fontainebleau.

Association of MBAs: www.mba.org.uk

Harvard and LBS win case test

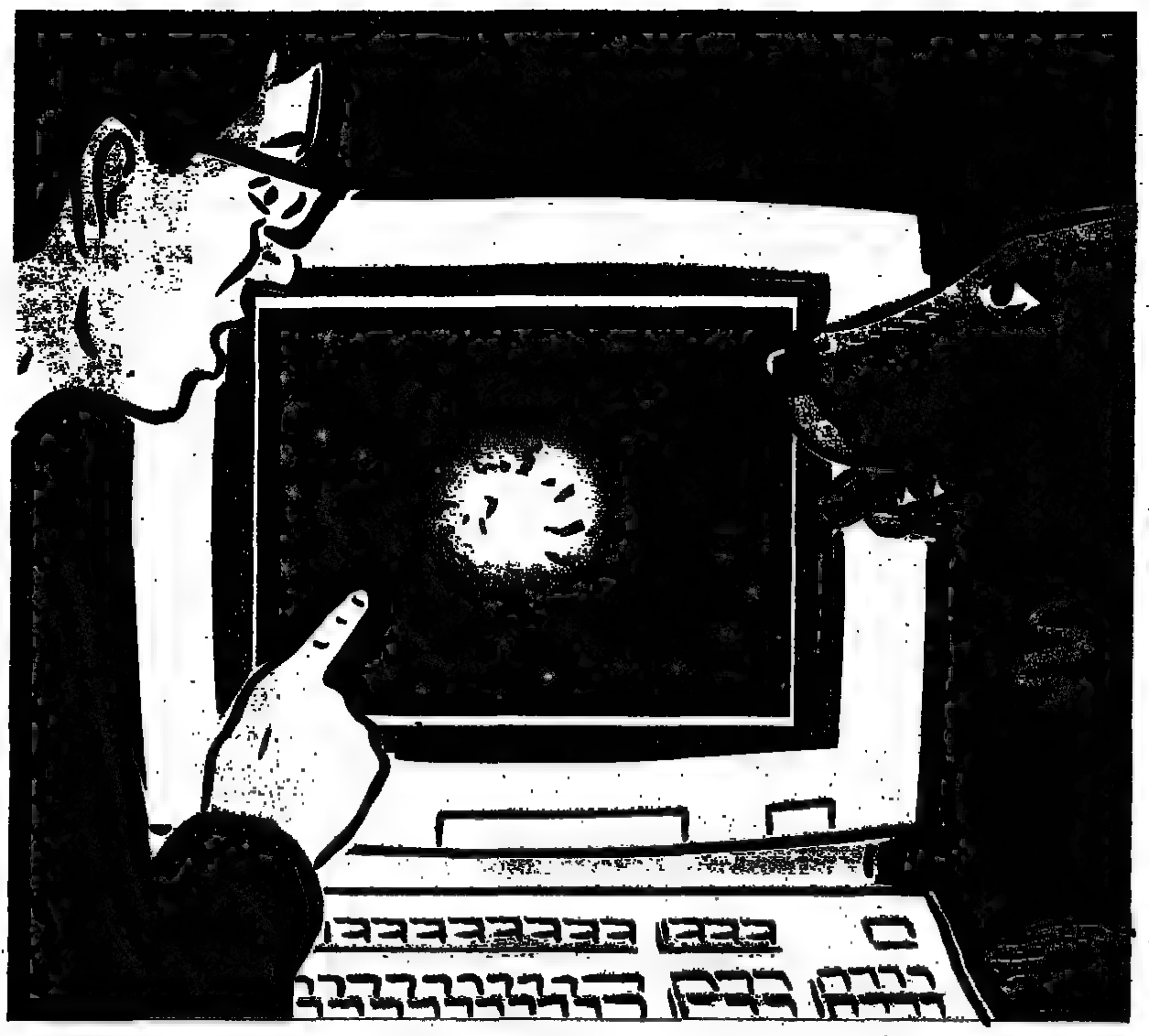
Harvard and London Business School were the joint winners of the Iese/Arthur D. Little International MBA Case Competition, held at Iese in Barcelona. The competition is the only one in Europe that brings together North American and European business schools.

Other schools in the competition were Columbia, Kellogg and Michigan from the US, the Ivey School from Canada and the Rotterdam School of Management from the Netherlands.

The subject of the case study was the Spanish bank A.B. Asesores. The students were judged on three criteria: a memo to the managing director, a presentation to the judges and their responses to questions.

Harvard www.hbs.edu
LBS:www.lbs.ac.uk

Information for News from Campus should be sent to Della Bradshaw,
The Financial Times, One Southwark Bridge, London SE1 9HL.
Tel. 44 171 873 4673 Fax 44 171 873 3950



SCIENCE SPACE RESEARCH

You too can discover your own asteroid

Leonard David reports on a fresh breed of cosmic explorer already snapping at the heels of the professional astronomer

Lurking in the solar system outback beyond Pluto, in an area known as the Kuiper Belt, is an asteroid some 160km in diameter. It would be only another faraway object, were it not for the unusual way it was discovered.

No world-famous astronomers were involved: instead, the asteroid was found by a group of US high school students searching through telescope images on the California-based Lawrence Berkeley Lab's computer database.

The students are an example of a new breed of space explorer that is in the making. No longer are cosmic findings the sole preserve of professional scientists. Enter the web browsing space explorer – the internaut.

Thanks to the power of the internet, and easy access to the latest scientific information, students, hobbyists and dabblers of all sorts can make their own space discoveries, from locating a never-before-seen asteroid or finding the most distant quasar, to spotting dust devils – mini-tornadoes that pick up and move dust – on Mars.

It is a trend with which professional scientists are having to come to terms, but most realise that the amateurs can be used as a resource from which science will benefit. That is because, in the past, there have simply not been enough eyes available to inspect all the useful images that astronomers collect.

The student search of computer images was part of the US National Science Foundation's Hands-On Universe programme. Using special software and visual inspection, students trawled through images taken from the foundation's four-metre Blanco Telescope in Chile to make the asteroid discovery.

"These students had the opportunity to operate like real astronomers," says Joseph Stewart, NSF program director.

Dr Stewart believes that public access to technology, coupled with the exciting science that can be pursued using that technology, is fostering the promise of yet more non-professional scientific discoveries. "We are just seeing the tip of the iceberg," he says.

Students and dabblers of all sorts can make their own space discoveries

But how will scientists view increasing numbers of internet interlopers on their intellectual turf? Surely the prospects of a high school student or a retired welder upsetting an astronomer's 35-year pursuit of, say, gravity waves, would be a little unnerving. "I think it's going to take some getting used to, but in some respects it has already been happening," Dr Stewart says.

For instance, amateur astronomers have found numbers of comets in recent decades, and the professionals welcome the extra help. "There are some scientist groups, however, that aren't used to doing that, and I think they will learn to get used to it in a hurry," says Dr Stewart.

The National Aeronautics and Space Administration (Nasa), meanwhile, is considering other ways to increase public participation in space missions. Funds have been earmarked to establish early next century what would effectively be a high-capacity Earth-Mars internet connection. "This would be a communications link so capable that people sitting in their home could access information coming down from Mars...allowing for tremendous public participation, as well as enhancing the science return," says Carl Pilcher, Nasa science director for solar system exploration.

Experience suggests there will be plenty of amateurs ready to tune in. In the first month after Nasa's Mars Pathfinder mission had landed on the red planet in July 1997, and dispatched its Sojourner rover, nearly 556m "hits" were recorded at internet sites set up to give a worldwide audience a close-up view of work in progress.

One of those most eager to tap into Mars Pathfinder data was Stephen Metzger, a doctoral student of the University of Nevada at Reno. He had originally been involved in a proposal to search for dust devils on Mars.

"Nasa didn't think highly enough of our idea to fund us," says Jim Carr, co-writer of the proposal and a professor of geological sciences at the university. Undaunted, Mr Metzger downloaded a couple of hundred Mars images from a Pathfinder public internet site into his modestly-powered home computer, equipped with 1980s software.

By converting the images and using various colour modes, Mr Metzger found what he was looking for – and what Pathfinder scientists had missed. There on his computer screen was a plume of swirling dust blowing across the Martian terrain. "I just sort of quietly stared at it for a few seconds. Then I pointed to the screen and said: 'You know, that's the way they are supposed to look.'" Mr Metzger recalls.

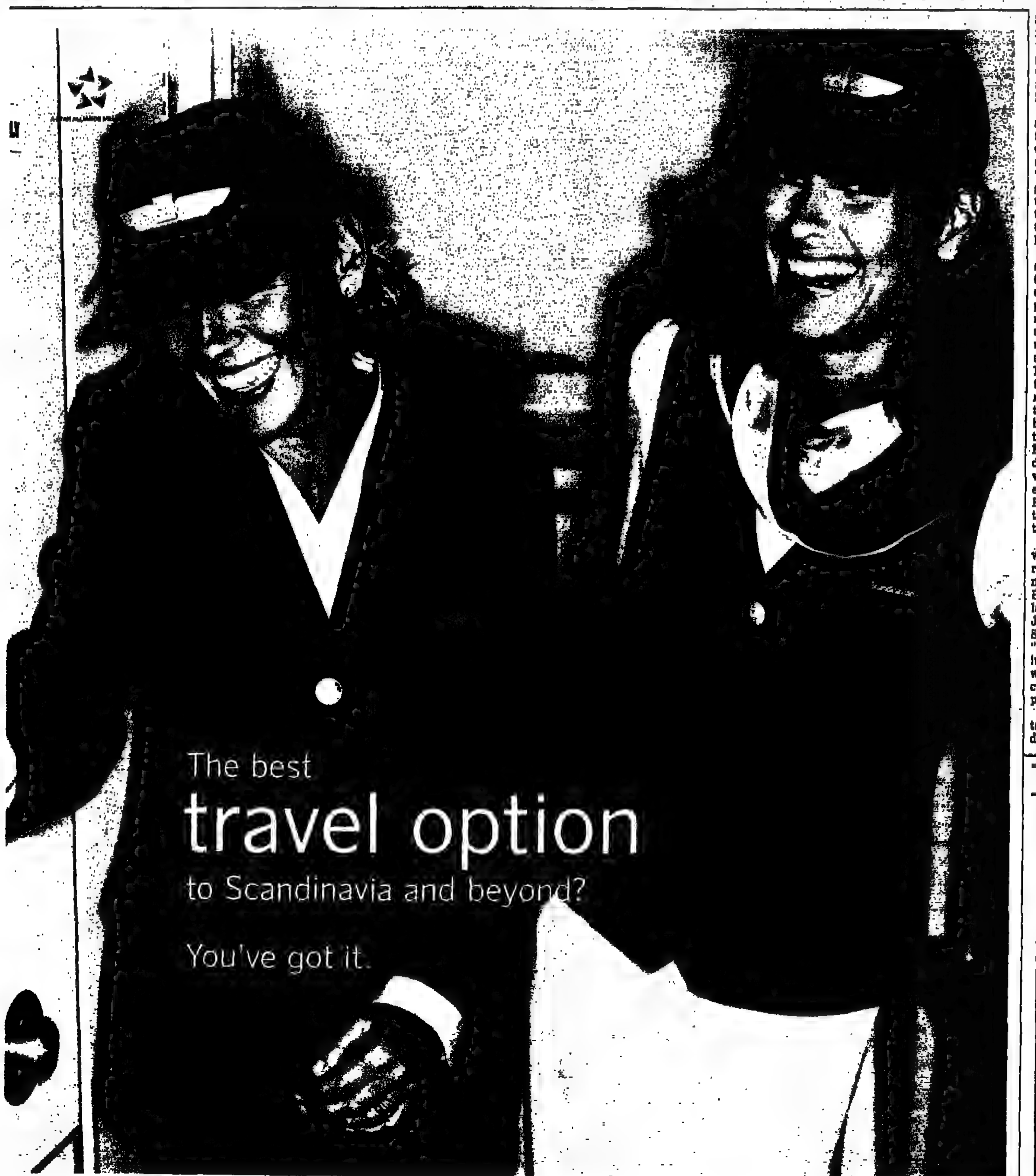
Further study of Pathfinder images has shown numbers of dust devils around the landing site. The whirlwinds are now viewed as a possible means by which dust is lifted into the Martian atmosphere, and they are probably connected with the planet's dust cycles.

As they were outsiders to the exclusive club of Nasa-funded space scientists, Dr Carr's and Mr Metzger's dust devil revelation was all the more impressive. "Having ready access to data through the internet is marvellous. It leads to more open exchange of ideas and will keep everyone on their toes. Everybody that has got the capability and the interest can be a player, instead of just an elite few," Dr Carr says.

Daniel Barstow, director of the Center for Earth and Space Science Education in Cambridge, Massachusetts, points out that it is not in space exploration alone that amateurs may help. The earth itself is under intensive scrutiny as dozens of satellites churn out huge amounts of environmental data: "There's going to be a flood of information. Scientists will be completely overwhelmed with the tremendous overload of data."

The future is not hard to see: ever more powerful home computers that create live video streams of three-dimensional and virtual reality imagery, smarter software packages that can rapidly compare and contrast disparate caches of data found on the internet, and an increasing public hunger to be involved.

For the new internauts, "downloading discovery" will be only a mouse click away.



Your best choice for travel to Scandinavia is the SAS route network. Non-stop from Heathrow or Stansted to Stockholm, Copenhagen or Oslo, and then onward within Scandinavia.

We also open up global travel for you, as the SAS route network serves more than 100 destinations, and with our Star Alliance™ partners we serve more than 720 destinations in 110 countries.

If you're a member of SAS EuroBonus, voted by InsideFlyer magazine as the world's best international frequent-flyer programme, you earn points when you fly with us and our partners, as well as with Radisson SAS Hotels. Earning points is easier than ever, and you can exchange them for bonus trips, hotel stays and exclusive EuroBonus leisure offers.

For more information about SAS, give us a ring on + 44 (0) 181 990 7122 or visit www.sas.se - we're looking forward to seeing you on board soon!

It's pure Scandinavian

SAS Scandinavian Airlines

BUSINESS EDUCATION

HARVARD
Summer School

June 28–August 20, 1999

Arts & Sciences Courses
English Language Programs
High School Program
Ukrainian Studies

Live and learn with students from around the world while exploring Harvard University.

VOICEMAIL: 617-496-5000
INFORMATION: 617 495-4024
WEB: summer.dce.harvard.edu
E-MAIL: summer@hudce.harvard.edu

Harvard Summer School
Dept. S545, 51 Brattle Street
Cambridge, MA 02138 USA

summer.dce.harvard.edu

BUSINESS TRAVEL INCENTIVE SCHEMES

Less mileage in cheaper tickets

As cost-conscious companies cut expenses it pays points junkies to shop around, writes **Gillian Upton**

Mileage junkies – business travellers who go out of their way to earn points from incentive travel schemes – are finding their lifestyle under threat.

Cost-conscious companies are cutting back on full-fare business class airline tickets in favour of promotional tickets or "consolidated" business class tickets.

The big drawback for the traveller is that these cheaper tickets come with restrictions including, in some cases, no mileage points.

Being made to fly in economy class can be just as bad: reward levels are much lower than in business class, and many airlines restrict incentive points to full-fare tickets. "The policy of awarding miles in economy has now become extremely important and particularly for those airlines which award miles on all fares," says Ian Dockreay, director of the Aviation and Travel Consultancy in the UK.

Rules vary and, as any mileage junkie knows, it pays to shop around. Abuse of company travel rules – for example, by booking with a non-approved airline – is a familiar trick.

Travellers can collect British Airways' Air Miles only if they fly on a full-fare economy class ticket. But Lufthansa and SAS allow travellers to earn Miles & More and EuroBonus points, respectively, on all special fares, such as Apex, Pex and Super Pex. No airline allows earning benefits on consolidated fares.

Frequent flyer club membership goes beyond credits towards free flights. Access to airport lounges, the possibility of being upgraded to a better seat, and being given priority on overbooked flights are among the benefits for the most valued members of incentive schemes.

"Once you move to the upper tier you get into service-related benefits and the prestige that goes with them," says Tony Clarke, global business development director of ICLP, one of the leading loyalty companies specialising in travel. "That's when travellers take extra trips to retain their platinum and gold cards, particularly when renewal time comes around."

The mileage junkie is most common in North America where the average frequent flyer belongs to 4.9 incentive programmes. According to industry estimates, the desire to boost mileage is a factor in more than a quarter of all trips.

The growth of incentive schemes since the early 1980s has also spawned an illegal trade in unused points – up to half of all those issued.

In Europe, membership of frequent flyer programmes is much lower, reflecting their spread geographically rather than any lack of interest. British flyers are learning the ropes fast, however, and belong to 3.7 programmes on average.

"Air miles are an emotive issue. Like company cars, it's a very personal thing," says Amanda Pennell, operations director of Amersham Travel, a UK travel management company. "There is uproar when a traveller is downgraded. Travellers come up with all sorts of excuses so they can fly on their favoured carrier. Some are really good at it."

'Travellers come up with all sorts of excuses so they can fly on their favoured carrier. Some are really good at it'

Abuse tends to be more widespread in companies with loose travel policies, or those yet to start cutting travel costs.

"In the oil business, where crude is down to $10 a barrel, travellers are not getting any options," says Aberdeen-based Gary Hance of Seaforths Travel. "Travel has either been cancelled or it's now on the cheapest consolidated fare with little flexibility and no mileage benefits."

Frequent flyers should not despair, however. Several airline alliances will offer increased opportunity for "earning and burning" as they plan to merge their incentive programmes, despite hints from Brussels that such a move would be anti-competitive.

Star Alliance is leading the way. A top level member of United Airlines' Mileage Plus programme (the 100,000 mile flyer) will be recognised on any partner airline (Thai, Lufthansa, Air Canada, Varig and SAS – plus Air New Zealand, Ansett and ANA from later this year).

The benefits to airlines of these schemes are well documented. Although the original idea was to fill empty seats, today they deliver customer loyalty, instant rewards when things go wrong and a significant revenue stream.

"They're all about yield management and relationship marketing," says Mr Clarke of ICLP. "The information gained on travellers' purchasing habits allows the airline to build customer profiles. They can then deliver the right message to the right person at the right time."

British Airways, KLM, Lufthansa and SAS all have sophisticated relationship marketing departments. BA, for example, was able to identify and mail those customers flying only one-way across the Atlantic, offering them an incentive to buy a return.

TRAVEL UPDATE

First non-gaming hotel in Las Vegas has quick net link

Las Vegas's first non-gaming hotel, the Four Seasons, opens tomorrow. Each room has been equipped with high-speed internet/data access. Rooms also have two-line digital phones and fax machines. Laptops can be rented.

Air check-in by car

Virgin Atlantic opens a drive-through check-in at Johannesburg's Jan Smuts international airport this summer. Travellers flying in Upper Class (business class) will be chauffeur-driven to the airport and complete all check-in formalities in their car.

Business discounts

SRS World Hotels has introduced preferential corporate hotel rates for companies booking between 1,000 and 20,000 rooms a year. Discounts vary between 5 per cent to 35 per cent in the Volume Corporate Rate Programme.

Heathrow in touch

London's Heathrow airport is installing 50 interactive touchscreen stations. The stations, known as WAMworlds, will offer information about the airport terminals and online information on anything from share prices and weather conditions to sports results. They will also give access to the web and e-mail. WAMworlds will also be installed in Gatwick and Stansted airports.

Belgian bargains

Sabena has cut fares from 11 UK airports to 30 destinations in continental Europe, as long as you fly before March 28. The deals, in economy class, are £155 from four London airports (Heathrow, Gatwick, Stansted and London City) and £175 from the seven regional airports served by the Belgian carrier. The points include Paris, Milan, Hamburg, Stuttgart, Düsseldorf, Berlin and Gothenburg.

Frankfurt service

Ryanair is launching a twice-daily service between London's Stansted airport and Frankfurt on April 22. Flights will depart from London at 7am and 7.10pm and leave Frankfurt at 9.45am and 9.55pm. The fare is £69 return.

Roman Delta

Delta has won US government approval to launch daily non-stop flights between Atlanta and Rome, *writes Roger Bray*. The airline plans to start flying the route on June 1. This summer it will also start operating from Atlanta to Athens, Barcelona and Istanbul. Continental Airlines has secured the take off and landing times it needs at London Gatwick to launch a daily service from Cleveland. Flights will start on June 15.

Pricey Paris

The recent meteoric rise in European business class air fares has tailed off – but try telling that to an Austrian with frequent business commitments in Paris. Analysis by American Express shows that between the final quarter of 1997 and the equivalent period last year the average price for a business cabin or full economy seat between Vienna and the French capital rose by 35 per cent.

Hilton kiosks

Hilton is installing automated business kiosks at 50 hotels in the US. Supplied by Business Anywhere, they provide touch screen, multilingual facilities around the clock. Other features include a computer with zip drive and e-mail and internet access, and a high-volume printer.

Gillian Upton

BUSINESS EDUCATION

Heriot-Watt University MBA

Rigorous
Flexible
Accessible

Edinburgh Business School at Heriot-Watt University is a pioneer in distance learning offering unmatched flexibility and uncompromising quality.

Students may start at any time, study at their own pace, and choose the timing of their examinations. Faculty is drawn from leading business schools in Europe and the US, and offers cutting-edge expertise with an international perspective.

There are 9,000 active students from over 140 countries on the programme; it is one of the largest MBA programmes in the USA, Europe and Australasia, with many corporate sponsors.

In 1998, over 800 students graduated with a Heriot-Watt University MBA; the programme, which is produced in association with Financial Times Management, was rated for the ninth consecutive year as one of the world's best by the Economist Intelligence Unit's Critical Guide to MBA Programmes.

Judge for yourself. Order a free brochure now quoting reference 18:
Email: hwattmba@ftmanagement.com
Fax: +44 (0) 1704 506723 · Tel: +44 (0) 1704 508301
Financial Times Management - 128 Long Acre, London WC2E 9AN, UK

in association with FINANCIAL TIMES MANAGEMENT

The Oxford Senior Executive Finance Programme

Is a finance programme with a difference. Building on proven elements in the Oxford Advanced Management Programme, it has been specifically designed to take senior executives, general managers and fast-track talent from a standing start to a strong and broadranging competence in modern financial management and strategy.

25 - 30 April 1999

For further details return to Maureen Campbell, Templeton College, Oxford, OX1 5NY, UK

Name: ____________ Job Title: ____________

Address: ____________

Tel: ____________ Fax: ____________ Email: ____________

Tel: +44 (0)1865 422733; Fax: +44 (0)1865 422501;
Email: maureen.campbell@templeton.oxford.ac.uk; Internet: http://www.templeton.ox.ac.uk

Templeton - Oxford University's Newest Graduate College, Working Under Royal Charter in Partnership with Business

EUROPEAN MASTER'S DEGREE IN HUMAN RIGHTS AND DEMOCRATIZATION

One-year full-time E.MA actively supported by the European Union

First Semester in Venice
Second Semester in one of 15 European universities

Information and applications from our website: hrd-euromaster.venis.it
or contact the co-ordinating university in Italy
tel. +39 049 827 4431
fax. +39 049 827 4430
e-mail: hrd-european.master@venis.it

DEADLINE 15 MARCH

BUSINESS EDUCATION

For information on advertising in this section please call
Laura Remigi on
0171 873 3308
e-mail laura.remigi@ft.com

Financial Times

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey National Fdg 6.1% Dual Currency Nts 1999 Y2541.86
Abbey National Treasury 8% FRN 2007 Lire400,000
Aberdeen 10.8% 2011 £5.40
American General $0.40
Auburn Secs Class A1 FRN 2035 £41.55
Do Class A2 FRN 2035 £47.85
Do Class M FRN 2035 £51.78
Barclays Non-Cum US Dollar Pref Series C1 $0.4219
Do Series C2 $0.1406
Do Series D1 $0.4313
Do Series D2 $0.1437
Do Units $0.5625
Do Junior FRN $138.26
Bass B 2.66p
Birmingham Midshires BS 9¾% Bearing £48.875
BP America 9¾% Nts 1999 $487.50
BTM Finance 7⅜% Bds 2002 $737,500
Do 8¼% Bds 2007 $825,000
Cable & Wireless Comms 7¼% Bds 2005 £71.25
Do 7⅜% Bds 2017 £73.75
Cable & Wireless 4.1p
ComputerLand UK 0.8p
Daiei 6.4% Bds 2002 Y640,000
Dewhurst 2.1p
Do A N/V 2.1p
First Technology 2.1p
Fleming Claverhouse 2.65p
Fletcher King 1p
Ford Motor $0.46
Do BDR $0.46
Fr & Colonial Emerg Mkts 6½% Conv Ln £3.25
Fortune Brands $0.22
Halifax 8¾% Sub Bds 13.5p
Do 12% Perp Bds £3,000
Henderson Geared Inc & Gwth Income 0.9p
Ingersoll-Rand $0.15
Intl Bank for Reconstruction & Dvlpt 10% Bds 1999 £100
Do 11⅛% Nts 2001 £111.25
Ireland 9% Capital 2006 IR£4.50
Italy 9⅝% Nts 1999 $962.50
Latchways 2.5p
London 2½% Cnsd 1920 £0.625
Do 3% Cnsd 1920 £0.75
Lonmin Finance 6% Bds 2004 £30
Low & Bonar 5½% 3rd Prf 1.925p
Do 6% 1st Cum Prf 2.1p
Do 6% 2nd Cum Prf 2.1p
Lucas Inds 6½% 1st Prf 2.275p
Metro Water 3% 1934/2003 £1.50
Monks Inv 6⅜% Deb 2023 £3.1875
Network Tech 0.55p
NFC 3p
Oldham Metro 11¼% Red 2010 £5.625
P & O 3½% Deb £1.75
Do 3½% 2nd Deb £1.75
Royal Bank Of Scot 10½% Bds 2013 £1,050
Sage 2.12p
Sainsbury (J) 8% Irred Unsd Ln £4
Sanctuary Housing Assoc 8⅜% Deb £4.1875
Slough Ests 8¼p Conv Prf 4.125p
Smith (WH) Prf 1.49929p
Swiss Bank Nts 2004 Lire600,000
Transcanada Pipelines 16½% 1st Bds 2007 8.25p

■ **TOMORROW**
Abbey National Fdg 5.8% Dual Currency 2000 Y2416.66
Britannia BS 10½% Bds 2000 £1,050
Fleming Income & Cap Inv Income 1.5p
Do Units 1.5p
Kuala Lumpur Kepong Bhd M$0.19
Kunick 0.5p
Royal Bank of Scotland 6⅝% Bds 2004 £66.25
Technoplast Inds NIS0.70

■ **WEDNESDAY MARCH 3**
Bangkok Bank Public 4.589% Bds 2004 $45.89
Boeing $0.14
Conversion 9% 2000 £4.50
Grainger Trust 6.35p
Mazda Motor 6.4% Bds 1999 Y640,000
Do 6.4% Bds 2000 Y640,000
Raglan Ests 10¼%-11¼% Stppd Deb 2012 £5.625

■ **THURSDAY MARCH 4**
Abbey National Treasury TEC 10 FRN 2006 FFr76.25
Crown Leisure 0.25p
Guaranteed Export Finance 9¼% Bds 2006 £925
Liverpool FRN 1999 £17.96
New Zealand Inv 4.75p
Sony 6⅛% Nts 2006 $30.625
Sweden 6½% Nts 2003

■ **FRIDAY MARCH 5**
Abbey National Treasury 6½% Nts 2004 £65
Aberforth Smaller Cos 4.55p
Capital Shopping Centres 6⅞% Bds 2013 £34.375
Eskmuir Props 4.4p
Jupiter Extra Inc 1.96875p
Kingfisher Leisure 1p
Martin Currie Moorgate Inv 1.85p
Metroline 4.9p
UNO 0.4p
Zetters 4p

■ **SATURDAY MARCH 6**
Bank of Greece 10¾% Ln 2010
Leopold (J) 9¼% Ln 1997/2002 £4.625

UK COMPANIES

TODAY
COMPANY MEETINGS:
Hawtin, Copthorne Hotel, Cardiff, 10.00
BOARD MEETINGS:
Finals:
Aegis
Aggreko
Billiton
Bisichi Mining
Burmah Castrol
Dixon Motors
Grafton Group
Hodder Headline
London & Assoc Props
Marshalls
Ocean Group
Perkins Foods
Sherwood Intl
Sun Life & Provincial
Interims:
Close Bros
Domestic & General
Hays
McBride
Redrow

■ **TOMORROW**
COMPANY MEETINGS:
Fitness First, Broadwalk House, 5, Appold Street, EC2, 12.00
BOARD MEETINGS:
Finals:
Arriva
BPP
CRH
Epwin
Fairview
Gallaher
Jardine Lloyd Thompson
Millennium & Copthorne
Norwich Union
PSD
Rentokil
RJB Mining
Wates City of London
Interims:
Britt Allcroft
Druid
News Comm & Media

■ **WEDNESDAY MARCH 3**
BOARD MEETINGS:
Finals:
Baird (Wm)
Britannic
Cakebread Robey
Cookson
Dawson Intl
Enterprise Intl
GKN
Jacobs Hldgs
Parity
Psion
Schroders
Serco
Thistle Hotels
Wilson Bowden
Interims:
Lyles (S)
Photobition

■ **THURSDAY MARCH 4**
COMPANY MEETINGS:
Holmes & Marchant, Marlow Place, Station Road, Marlow, Bucks, 9.00
Recognition Systems, 55, Colmore Row, Birmingham, 2.00
BOARD MEETINGS:
Finals:
Elementis
Furlong Homes
Oxford Glycosciences
PowerGen
Rolls-Royce
Sanderson Bramall Motor
Total Office
Vickers
Williams

■ **FRIDAY MARCH 5**
COMPANY MEETINGS:
Eurocopy, Cedar Court Hotel, Denby Dale Road, Calder Grove, Wakefield, West Yorks, 12.00
Scottish Highland Hotels, Stirling Highland Hotel, Spittal Street, Stirling, 11.00
BOARD MEETINGS:
Finals:
Greggs
Limelight
Interims:
Euro Sales Finance
Thorntons

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Financial Times Surveys

FT Director

Friday March 19
Friday June 25
Friday October 1
Friday December 10

For further information, please contact:
William MacLeod in London
Tel: +44 171 873 3699
Fax: +44 171 873 4296
email: william.macleod@FT.com

FINANCIAL TIMES
No FT, no comment.

CONFERENCES, VENUES AND COURSES

CONFERENCES

MARCH 3 & 4
FT New Media Conference
In the aftermath of the launch of digital television in the UK, the Financial Times New Media conference will examine the state of play in the digital market. Distinguished Speakers include: Mr Ian West, Sky Entertainment; Mr Tony Illsley, Telewest Communications plc; Mr Adam Singer, Flextech plc; Mr David Docherty, BBC and Mr Stephen Grabiner, Ondigital
Contact: Catherine MacSweeney
FT Conferences
Tel: (+44) 171 873 3162
Fax: (+44) 171 873 3067
Email: catherine.macsweeney@FT.com
LONDON

April 1999
ESOMAR WORKSHOPS
Planning & Coordinating Multi-Country Research 12-14 April
Harmonising Multi-country Data Collection & Coordination 14-16 April
For international/global marketing research professionals with 1-5 years experience.
Marketing for Researchers 26-28 April
Advertising for Researchers 28-30 April
For professionals in middle and upper management functions with basic experience in research and advertising.
FORMAT: Action oriented, in-depth coverage of real-life applications
LOCATION: Schloss Hernstein, Berndorf, Near Vienna
Participation limited to 30

March 10
FOOD STANDARDS AGENCY: SYMPOSIUM
Chaired by Jeff Rooker MP, Minister of State at MAFF
The Industry Forum is holding a symposium on 10th March at the Queen Elizabeth II Conference Centre (10.00am registration - 12.45pm buffet lunch), to review the Government's draft bill on the Food Standards Agency.
Speakers will include: British Hospitality Association; British Retail Consortium; Local Government Association; National Consumer Council; National Farmers Union; Nestle; Tesco and Whitbread Restaurants.
For further information on registration/enquiries please contact Marie Jouillac:
Tel: 0171 437 3600
Fax: 0171 437 3601
Email: marie.jouillac@dial.pipex.com

APRIL 12 - 14
IATA's Airline Financial Management 99
Financial representatives and CFO's from over 70 world airlines gather to discuss critical issues in aviation finance. High profile speakers from IATA, SITA, Citibank, Saowa Bank, Planair and many more.
For more information contact Hayley Nash-Smith:
Tel: +44 181 607 6241
Fax: +44 181 572 5463
Email: nashsmithh@iata.org
Web site: www.iata.org/events
NEW YORK

April 16 - 18
WIN CORPORATE "BATTLES" WITH SUN TZU'S ART OF WAR SEMINAR
You cannot afford to miss it! Invest in it now!
What has a 2,500 year-old military treatise to do with business today? The answer: Plenty. Fortune 500 talked about it. World leaders and business executives use it. Find out how and why with Mr Khoo Kheng-Hor, Asia's leading exponent and best selling author of the "Art of War".
For details, contact
The Geomancer International
Tel: +44 (0)7000 888 989
Email: geomancer@dragonsagle.com
Fax: +44 (0)1483 488 998
London

MARCH 11
FT UK Stakeholder Pensions Conference
Speakers include: The Rt Hon Frank Field, MP; Mr Chris Evans, Department of Social Security; Ms Caroline Instance, Occupational Pensions and Regulatory Authority; Mr Andrew Young, Government Actuaries Department; Mr Richard Stroud, The Pensions Trust; Mr Nick Page, Human Resources Directorate, CBI and Mr Robert Nuttall, BBC.
Contact: Julie Crossan, FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
LONDON

April 20 - 21
Financial Analysts Seminar - Europe
Considering the new risks and opportunities in European markets and the rapid pace of change in global investing, investment professionals in Europe need to be armed with the most current tools in their search for superior performance. This conference will address core investment topics from a regional and global perspective.
Contact AIMR in the USA
Tel: 1-804-980-3668, ext. 123
Fax: 1-804-980-3634
Internet: www.aimr.org
AIMR
Madrid, Spain

MARCH 18 & 19
FT European Pensions
Distinguished speakers include: Professor Mario Monti, Member of the European Commission; Mr Kees van Rees, Managing Director Shell Pensions Fund, Chairman, European Federation of Retirement Provision; Mr Martin Jack, Director of IBM Retirement Funds, EMEA, IBM UK Ltd; Mr Bruce Garner, Head of Pensions, BP Amoco p.l.c. and Ms Ruth Goldman, Head of Pensions, Lucas Varity plc.
Contact: Julie Crossan, FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
BRUSSELS

March 23 - 24
Find out what opportunities CROATIA can offer for your company - attend
The Economist Conferences'
Second Roundtable with the Government of Croatia
You will have the opportunity to listen to presentations from Prime Minister Zlatko Matesa, Deputy Prime Minister Borislav Skegro and many other senior politicians. You will also be able to meet and network with other businesspeople keen to establish and strengthen operations in Croatia. The Roundtable is an excellent chance to share experiences, concerns and opinions with speakers and your peers!
In association with:
Bank Austria Creditanstalt
Monika Davies
The Economist Conferences
Tel: (43.1) 712 41 61 15
Fax: (43.1) 712 41 65
Zagreb, Croatia

APRIL 22 & 23
FT World Pharmaceuticals
Distinguished speakers include: Mr Fred Hassan, Pharmacia & Upjohn; Mr Robert Ingram, GlaxoWellcome Plc; Dr Anthony H Wild, Warner-Lambert Company; Professor Dr Horst Meyer, Bayer AG; Mr Henry Wendt, Unit of Donaldson Lufkin Jenrette Merchant Banking; Mr Eli Hurvitz, Teva Pharmaceutical Industries Ltd; Mr Gilles Pajot, IMS HEALTH
Contact: Julie Crossan
FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
LONDON

An IDC Global Event
The European Telecoms Forum 1999
Emerging Services and Emerging Service Providers
15 -16 March 1999, Hotel Excelsior - Venice Lido

- IP Communications and NextGen Telcos
- Next Generation Convergence Strategies
- Corporate Demand for Integrated Voice, Data, Internet Access
- IT Infrastructures for the Telecoms Market
- Mobile Phones, Prepaid Calling & Cannibalizing the Landline Network
- Battle of Broadband Access: ISDN, DSL, Cable Modems, Digital Wireless
- IP Impact on Enterprise Networking
- Global Data Networking: Integrating Internet, Frame Relay and Private Lines

www.idcresearch.it/forum

The European Telecoms Forum 1999 is being hosted by IDC and is sponsored by the following organisations:
3Com, Cabletron Systems, Compaq, EDS, EMC², Hewlett Packard, Infostrada, Nortel Networks, Sema Group, Siemens

Speakers will include:
3Com,
Arthur D. Little,
Ascend Communications,
Cabletron Systems,
Compaq,
Digital Island,
EDS,
EMC Corporation,
France Telecom Mobile,
Glocalnet,
Hewlett Packard,
Infonet,
Infostrada,
Italian National Regulatory Authority,
Lucent Technologies,
Nortel Networks,
Price Waterhouse Coopers,
Qwest,
Sema Group,
Siemens,
Telecom Italia,
TIM,
Wind.

An updated agenda is available on Internet:
www.idcresearch.it/forum
Send by Fax to IDC Italy at +39.02.28.45.73.13 or +39.02.28.45.73.33
Tel. +39.02.28.45.73.18
PLEASE LET ME HAVE THE COMPLETE PROGRAM OF:
The European Telecoms Forum 1999

NAME ....
SURNAME ....
COMPANY ....
JOB TITLE ....
ADDRESS ....
ZIP .... CODETOWN ....
COUNTRY ....
TELEPHONE ....
FAX ....
E-mail ....

If you do not wish your contact details to be given to other delegates prior to the conference, please tick here ☐

Date ....

Signature ....

23 - 24 April 1999
LEADING IN A GLOBAL BUSINESS ENVIRONMENT
The annual conference of the Irish Management Institute will address key challenges in the Irish business environment, trends in organisational leadership and corporate strategies for a turbulent global marketplace. Speakers include business leaders from Ireland's most successful companies, in addition to leading international experts and practitioners.
- Bernard Collins, VP of International Operations, Boston Scientific
- Angela Baxter, Visiting Research Fellow, London Business School
- Stephane Garelli, Director, World Competitiveness Yearbook
- Gary Hamel, Founder, Strategos
- Tony Hope, Visiting Professor, INSEAD
- Jos Gonzalez-Larrea, President, Dell Europe
- Cyril McGuire, President, Tritech
- Terry Neill, Chairman, Andersen Worldwide
- Lochlann Quinn, Deputy Chairman, Glen Dimplex
- John Scaffey, Chairman, Scaffey Bros
- Neil Selfram, Group Managing Director, Desigroupe, A.conmore Waterford
The conference will be held in the GREAT SOUTHERN HOTEL, KILLARNEY.
For more information visit our website: www.conference.imi.ie or email us for a brochure at dpeake@iol.ie
Contact: Hannah Dynn
UK FreePhone 0800 97 32 88
Tel: 353.1.2078478 Fax: 353.1.2955150

May 26 - 28
FR@UD 4 - The 4th International Financial Fraud Convention
The World's Leading International Convention on Financial Fraud and Financial Crime Prevention.
Sponsored by BankAmerica, PricewaterhouseCoopers and Stephenson Harwood.
Organisations to include: the UN, IMF, Council of Europe, BIS, OECD as well as Barclays, Chase, Citibank and Reuters among many others
Delegates expected from over 50 nations, with proceedings in English, French and Spanish.
Contact: Jamie Harper
Tel: (+44) 171 419 1000
Fax: (+44) 171 419 1050
E-mail: jamie@iiex.co.uk
Web site: www.financialfraud.com
IFex
QEII Conference Centre, London

June 14 & 15
FT World Gold
Distinguished speakers include:
Mr David Clementi, Deputy Governor, Bank of England; Mr Jean-Pierre Roth, Vice Chairman of Governing Board, Swiss National Bank; Mr Randall Oliphant, Executive Vice President and Chief Financial Officer, Barrick Gold Corporation; Mr Chand Mehra, Director, Enchante Jewellery Limited; Mr Manabu Kido, Head of Metal Department Manager, Metals Commodities Department, Sumitomo Corporation Europe plc; Mr George Milling-Stanley, Manager, Gold Market Analysis, World Gold Council; Mr Ted Reeve, Gold Analyst, Equity Research, Scotia Capital Markets; Mr Neil Newitt, Consultant, J Aron/Goldman Sachs.
Contact: Julie Crossan
FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
London

LANGUAGE COURSES

REGENT
LANGUAGES FOR BUSINESS
- Tailored tuition for business people
- Courses for individuals and groups
- In-company or at our centres in London, Oxford, Brighton, Kent and Edinburgh
- Expert teaching in over 40 languages including English

Regent Linguaphone
31 John Adam St., London WC2N 6HX
Telephone: 0171 839 3622
Fax. 0171 839 3677

Conferences, Venues & Courses

FAST EFFECTIVE AFFORDABLE
Would speaking your Customer's language have made the difference ?
Did your last meeting overseas go as well as you had hoped ? No ? Why not ? Did you lose out to a competitor who did speak the language of the customer ?
Don't let it happen again -
Call BERLITZ for details of 'Doing Business in' French/German/Spanish NOW on
0171 - 915 0909
0121 - 643 4334
0161 - 228 3607
0131 - 226 7198
Berlitz Helping the World Communicate.

COURSES

MARCH 15 - 17 (REVISED DATE)
bircbim - partners in financial knowledge
Evaluating Banks
• Banking Supervision and Regulation • Financial Information • Key Ratios and Capital Adequacy • Political, Economic, Social and Technological Risks • Country Risk Exposure Analysis • Emerging Markets • The Role of Credit Rating Agencies
Contact: Birchin Training & Consulting
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: waghorn@birchan.com
Internet: http://www.birchintraining.com
LONDON

MARCH 24 - 26
bircbim - partners in financial knowledge
Asset Securitisation
• The Structure of a typical Asset Securitisation • Characteristics of Securitisable Assets • Objectives of the Originator • The Role of the Advisor • The Role of the Rating Agency • The Objectives of the Investor • Structuring, Pricing and Distributing the Issue • Post Issue Matters
Contact: Birchin Training & Consulting
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: waghorn@birchan.com
Internet: http://www.birchintraining.com
LONDON

APRIL 29
Japanese Financial Markets
Can the Japanese economy survive financial restructuring? This one-day seminar will examine the current position of the Japanese economy, covering issues from corporate governance, state finances and labour market policy to structural reform and the real outlook for the future.
Contact: Julie Crossan
FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
LONDON

MARCH 22 - 24
bircbim - partners in financial knowledge
Facility Documentation
• Types of Borrowers and their Legal Identity • Facility Letters and Covenants, Letters of Comfort • Lending, Guarantee and Security Documentation • Registration Procedures • Fixed and Floating Charges, Priorities • Legal Requirements and Obligations • Regulatory Environment • Common Mistakes and Problems • Dealing with Defaults
Contact: Birchin Training & Consulting
Tel: 0171 929 6633 Fax: 0171 929 6644
Email: waghorn@birchan.com
Internet: http://www.birchintraining.com
LONDON

APRIL 19 - JUNE 7
FT City Course
The FT City Course, which takes place over 8 weekly afternoon sessions, provides an excellent introduction to the City of London as a major financial and trading centre. Speakers include: Mr Roger Miles, British Bankers' Association, Mr Josh Arnesta, Credit Suisse First Boston, Mr John Shepperd, Dresdner Kleinwort Benson and Mr Naresh Soopar, Banque Nationale de Paris.
Contact: Julie Crossan
FT Conferences
Tel: +44 171 873 3263
Fax: +44 171 873 3067
E-mail: julie.crossan@FT.com
LONDON

VENUES

IFF
International Faculty of Finance
IFF TRAINING CENTRE
IFF's state of the art training centre located in the heart of the City of London in Queen Victoria Street is the ideal venue for company training and off-site meetings
- Accommodates 10-78 people
- Fully AV equipped
- First class catering
- Full support of IFF's training centre team
- Competitive prices

CONTACT:
Melanie DeVere
Tel: +44 171 329 2468
Fax: +44 171 329 2482
Email:
MdeVere@compuserve.com

Destination: Guernsey
Choose from 3/4* hotels with conference and meetings facilities at value for money prices, accommodating up to 200 delegates. Also offers extensive opportunities for incentive trips, leisure activities and partner programmes.
Contact: Katherine Despres
Tel: 01481 726611
Fax: 01481 721246
GUERNSEY

The Financial Times Seminar Suite
A new prestigious city venue within the Financial Times Head Office. Ideally suited for seminars, press launches, corporate functions and cocktail receptions. Sophisticated audio visual equipment suitable for all requirement. Supportive and professional staff on hand to assist you.
For further details please contact:
Jay Amin
Tel: +44 (0)171 873 3486
Fax: +44 (0)171 873 3067
Email: jay.amin@FT.com
LONDON

Conferences, Venues & Courses

To advertise contact Jade Sanderson on +44 171 873 3507 or Fax +44 171 873 3765

OPENINGS

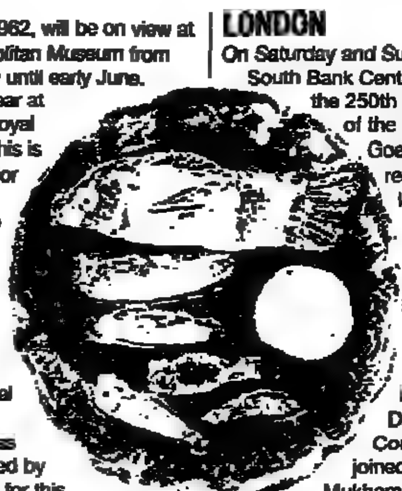
HELSINKI
A comprehensive survey of Thomas Adès's music is the highlight of Helsinki's week-long contemporary music festival, starting at Finlandia Hall on Friday. The Sibelius Academy will stage *Powder Her Face*, and Adès himself will give a piano recital.

STOCKHOLM
The Moderna Museet is presenting the first full-scale retrospective in Scandinavia of Aleksandr Rodchenko (right), one of the leaders of the post-revolutionary avant-garde in Russia. The show opens on Saturday and runs until May.

PARIS
The Musée d'Orsay has organised a "Saison anglaise" embracing art, music, photography and film from across the English Channel. An exhibition devoted to Burne-Jones and the English pre-Raphaelite movement opens today, and the first of 10 concerts featuring British ensembles and recitalists takes place on Thursday. A Hitchcock season follows in late May.

NEW YORK
The opening weekend of New York City Opera's Spring season at Lincoln Center is Jack Beeson's *Lizzie Borden*, based on the true-life story of a New England woman who was accused of hacking her father and stepmother to death with an axe. Premiered in 1965, the opera was revived at Glimmerglass three years ago. City Opera is restaging that production with Phyllis Pancella in the title role. The first night is on Saturday.

More than 170 of Picasso's ceramic works (right), created in the south of France between 1947 and 1962, will be on view at the Metropolitan Museum from Wednesday until early June. Seen last year at London's Royal Academy, this is the first major show to concentrate exclusively on Picasso's ceramics.



Irving Berlin's 1947 musical *Annie Get Your Gun* has been updated by Peter Stone for this revival directed by Graciela Daniele and starring Bernadette Peters. It opens at Broadway's Marquis Theatre on Thursday.

LONDON
On Saturday and Sunday, the South Bank Centre celebrates the 250th anniversary of the birth of Goethe with recitals, lectures and master-classes.

At Sadler's Wells Theatre Kim Brandstrup's excellent Arc Dance Company is joined by Irek Mukhamedov in a brand new version of the Don Juan legend. Should not be missed. New score, new design, a new role for the magnificent Mukhamedov (for whom Brandstrup has already made a fine Othello). Danish composer Kim Helveg provides an original score.

The National Gallery has organised the first-ever exhibition of the work of 17th century Italian painter Orazio Gentileschi. It includes several of his monumental Old Testament masterpieces, as well as examples of his work as court painter to Charles I in London. The show opens on Wednesday, and will move to Bilbao in June and Madrid in September.

Thelma Holt's new production of *Macbeth* arrives in London after a short season in Bath. Directed by John Crowley, the play stars Rufus Sewell and Sally Dexter (right). It opens at the Queen's Theatre on Wednesday.

Man in the hot seat: James Ferman and the controversial film 'Crash', which caused a UK tabloid outcry in 1997 when it was passed by censors

A good advert for a bad practice

Nigel Andrews praises former UK film censor James Ferman for reducing nannyism to a minimum in 24 years of making cuts

The Princess Anne Theatre at the British Academy of Film and Television Arts was agog. We were there for "An evening with James Ferman" in which the recently retired British film censor would tell all – with clips.

We knew what we expected to see: blood pouring down the screen, the psyches of Michael *Death Wish* Winner and Tobe *Texas Chainsaw* Hooper exposed lividly to view, and a stream of naked people doing naughty things in footage still bearing the scissor-marks of a Soho Square office.

What we got was both more and less. Mr Ferman proved an affable host, dark-suited at a lectern where he briefly lamented the lack of a piano (what else goes with "An evening with ..."?)

Then he dived into *Jaws*, his baptismal furor, before navigating us through a decade-by-decade account of outstanding rumpuses, from *Emmanuelle* to *Cliffhanger*, from the video nasties to *Ai No Corrida*, Oshima's famous sex-with-art shocker.

Oddly the decades ran out, or seemed to, before the 1990s. So we had nothing on Cronenberg and Stone, nothing on *Child's Play 2* (the supposed trigger-video in the Jamie Bulger murder case), and nothing on *Henry: Portrait Of A Serial Killer*. There was also nothing on *Crash*, the certification of which created tabloid hysteria in 1997. As for that grandaddy pariah, *The Exorcist*, one would love to have heard Mr Ferman's reasons for a video ban lasting 25 years, though a reprieve is now in sight.

But we must not carp. Censors fessing up at all are a rare phenomenon: half a loaf, even a plate of crumbs, is better than nothing.

And one cannot imagine a spokesman more resourcefully defending and illustrating a practice that many of us doubt should be practised at all.

Why should adults have their minds cordoned? Why should parents' failure to police children's viewing result in restrictions for all? Why should one man or committee be deemed incorruptible when the rest of us apparently need round-the-clock vigilance?

Mr Ferman's feat over 24 years has been to reduce nannyism to a minimum. The proportion of censor-cut films, he was proud to boast, has fallen from 40 per cent to about 4. And with problem films, classification upwards has replaced scissorwork, so that an iffy 15 becomes an 18 or an R rather than becoming a butchered mess.

He has also, unlike some censors, been willing to consult the yellow pages under E for experts. With *Jaws*, he pulled in a child psychiatrist and said: "Won't it give children nightmares?"

The shrink said: "What makes you think that nightmares are bad for children? Nightmares are bad for parents. For children they are nature's way of working out problems and tensions." Mr Ferman summoned two more child psychiatrists who said the same. So, essentially, did Bruno Bettelheim in his great book on fairy tales, a Ferman bible.

Hallelujah, say I. Not the least bane of recent times has been the censorship lobby proclaiming the vulnerable purity of youngsters.

Any censor lasting a generation has to deal with hysteria that is 90 per cent of public protest

Children are the creatures, remember, that bully fellow creatures in ways more arbitrary than any adult – do none of us recall our own childhoods? – and whose fascination with naughty things done to and by the human body begins at least five years before puberty. Yet we still treat children as fragile creatures.

Any censor who lasts a generation has to deal with the institutionalised hysteria that is 90 per cent of public protest over films.

So Mr Ferman patiently explained why *The Life Of Brian* was, literally and legally, not blasphemous: why he had tried not to be excessive in cutting *Robin Hood, Prince Of Thieves* (hand-lopping scene) and *Cliffhanger* (hero's crony used as football).

He told us why *Jurassic Park* and *The Lost World* could be passed for children (teachers and psychiatrists both pointed out that children know dinosaurs are unreal); why video nasties were a brief, freak phenomenon representing a backlash against 70s feminism; why a scene in *Ai No Corrida* in which the heroine playfully pulls on a small boy's penis was optically changed so that it was clear what she was doing without our actually seeing it (it's a vital piece, Mr Ferman argued, in her psycho-portrait); and why the sex in *Emmanuelle* was uncorrupting – how could it not be with all that soft focus and consensuality? – save for one near-rape scene.

"Rape with a positive outcome" became Soho Square jargon for scenes of ravishment that are immediately followed by the heroine, say, happily riding a bike through spring countryside (see, and we did, *Emmanuelle In Tokyo*).

If I believed in censorship at all, I too would draw the line at this, as at the sadomasochistic whipping scenes we saw from *L'Histoire d'O*, never passed for Britain, or the sadistic (dis)grace-notes inserted by Michael Winner into a rape scene in *Death Wish 2*.

Pushed to the mast and told to nail my colours to it, however, I would have to say I believe in censorship in only two areas: national security (don't tell the enemy where our spies and ships are), and criminal acts during filmmaking (impound material and arrest makers if any movie commits an actual murder, rape or atrocity).

As for those vulnerable children, their viewing is not the business of a state or industry monitor, it is that of parents, guardians or schoolteachers. A detailed classification system should be encouraged, even more detailed in my view than the present one.

If that is considered insufficient, parents should lock up the video machine, embargo children's trips to the video store or lay down any other tough-love fiat deemed appropriate.

What no grown-up should do is condone or connive at the appointment of a watchdog, singular or collective, to police the dreams and nightmares of a culture that should remain vital, responsive and empowered to imagine, and whose pride in those attributes is what differentiates a free world from a totalitarian one. That James Ferman is a good advertisement for a bad practice does not make the practice any better.

A dream of an evening

BALLET

CLEMENT CRISP

A Midsummer Night's Dream
Sadler's Wells

Pacific Northwest Ballet ended its Sadler's Wells season with the staging of Balanchine's *A Midsummer Night's Dream* that so endeared the company to us at last year's Edinburgh Festival. It is a marvellous ballet, and once again was excellently well done by the troupe.

What I love about it is Balanchine's clear feeling for Shakespeare – it is, in its sense of magic, more touching than the Ashton version, if one must make the comparison – and also Balanchine's unerring way with narrative. He tells the tale in the first act, and makes the second a danced celebration of love fulfilled. (In what seems one vertiginous minute in Act 1, the choreography compresses the loving identities of Oberon and Titania, Theseus and Hippolyta, and the crossed lovers, *and* brings on the rude mechanicals – no mean feat, especially when one is not left feeling breathless).

It is allusive, too, in handling: we have but to see Helena cross the stage to sense her sorrows; and when the emotional knots unravel at the end of the first act, we have known the characters and understood them. It is a happy touch – and one that perhaps relates back to Balanchine's Petersburg inheritance – that, like Petipa in his version, there are child performers as fairies and insects: the use of these children as fireflies in the last ecstatic moments of the piece is one of the most felicitous touches in a ballet uniformly felicitous in sentiment as in step.

This *Dream* is, as I reported from Edinburgh, an abiding joy, and it is joyously danced. Most of the casting is as we saw last summer. Patricia Barker, with her big, luscious style, is a wonderful Titania – I love the way she can hold a pose in the air, sustain its dynamic, show its continuing life. The lovers – Julia Tobiason and Lisa Apple, Ross Yearsley and Jeffrey Stanton – are by turns ardent and angry, and delightful. Seth Belliston I found even more mercurial as Puck, airy in jump as in wit, and in the yielding pas de deux of the second act, Louise Nadeau, with her pretty feet and her musical, fluent style, is a worthy inheritor of a role made for the exquisite Violette Verdy, who was music incarnate.

All in all, the staging is a triumph for the company, and it is imaginatively set and amusingly dressed (roses all the way!). Pacific Northwest's opening programme suggested that the troupe shopped for design at a branch of GUM in Seattle – *le style commissar* was everywhere apparent – but the *Dream* has a real charm to it in Martin Pakledinaz' decorations. The Mendelssohn score was admirably played by an unnamed orchestra under Stewart Kershaw.

A wonderful Titania: Patricia Barker Tamara

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 5

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar; Mar 4

EDINBURGH

EXHIBITION
Scottish National Portrait Gallery
Tel: 44-131-624 6200
John Ruskin: exhibition exploring the influence of the Victorian critic and theorist. Includes drawings, watercolours and photographs; to Mar 7

GLASGOW

OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aidan Lang, with designs by Ashley Martin-Davis; Mar 4, 6

LONDON

DANCE
Sadler's Wells
Tel: 44-171-863 8000
Arc Dance Company: The Return of Don Juan, in a new staging by Kim Brandstrup, starring Irek Mukhamedov. With an original score by Kim Helweg; Mar 1, 2, 3

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futterer. Cast includes Kim Begley and Jonathan Summers; Mar 3, 6

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss and Couperin; Mar 4, 5
● Beethoven Academie: conducted by Christopher Hogwood in works by Mozart and Haydn, with piano soloist Stefan Vladar; Mar 3
● Sinfonia Varsovia: conducted by Yehudi Menuhin in works by Mendelssohn-Bartholdy and J. Brahms; Mar 2

DANCE
Philharmonie Gasteig
Tel: 49-89-5481 8181
Bolshoi Ballet: mixed programme of Russian works; Mar 1

NEW YORK

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Picasso: Painter and Sculptor in Clay. Seen last year at London's Royal Academy, this show brings together 175 ceramic works by Picasso, mostly created between 1947 and 1962; from Mar 3 to Jun 6

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 6
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Mar 7

PARIS

EXHIBITIONS
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
● Edward Burne-Jones: major retrospective of the British pre-Raphaelite painter, which forms the mainstay of the museum's 'saison anglais'; from Mar 4 to Jun 6
● Gothic Revival: Architecture and Decorative Arts of Victorian England. Display examining the fascination of mid-19th century artists with medieval society, with particular emphasis on the nascent Arts and Crafts movement; from Mar 2 to Jun 6

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Macbeth: by Verdi. Conducted by Gary Bertini in a staging by Phyllida Lloyd, with designs by Anthony Ward. Cast includes Jean-Philippe Lafont and Maria Guleghina; Mar 2, 5

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
www.opera-de-paris.fr
La Clemenza di Tito: by Mozart. Conducted by Ivor Bolton in a staging by Willy Decker with designs by John MacFarlane. Cast includes Theo van der Walt and Christine Goerke; Mar 1, 4, 7

POTSDAM

EXHIBITION
Cinema Museum
Leni Riefenstahl: first major German exhibition of the film maker since the war. Includes films produced during the Nazi period and more recent photographic work; to Feb 28

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Poussin: Early Years in Rome. Display of 41 works produced between 1624 and 1628. The centrepiece is 'The sacking of the temple in Jerusalem by Titus' (1925/6), commissioned by the Barberini family. Includes major public and private loans from Europe and the US; to Mar 1

SEATTLE

OPERA
Seattle Opera
Tel: 1-206-389 7676
www.seattleopera.org
Vanessa: by Samuel Barber. Conducted by Yves Abel in a staging by Sharon Ott. The title role is sung by Sheri Greenawald/Ashley Putnam; Mar 3, 5, 6

TAMPERE

EXHIBITION
Sara Hildén Art Museum
Tel: 3583-214 3134
www.tampere.fi/hilden
Tony Cragg: 33 sculptures and a large number of drawings by the British-born artist, now working in Germany. The works on display are from the period 1988-1998; to May 9

THE HAGUE

EXHIBITION
Gemeentemuseum
Tel: 31-70-3388 1111
Silver from the time of the United East India Company: display of silver manufactured in the 17th and 18th centuries in former Batavia. Works from the collection are supplemented with important private loans; to Mar 21

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
Orchestre National du Capitole de Toulouse: conducted by Michel Plasson in works by Debussy, Ravel and Berlioz; Mar 4

VIENNA

EXHIBITIONS
Austrian Museum of Applied Arts
James Turrell: retrospective of the American artist who incorporates the elements into his architectural designs. Including two site-specific installations, the show also features photographs and drawings of the extinct volcano in which Turrell has been working since the 1970s; to Mar 21

KunstHausWien
Tel: 43-1-712 0495
Jean-Michel Basquiat: Paintings and Works on Paper. 100 works on loan from the Mugrabi Collection; to May 2

ZURICH

EXHIBITION
Kunsthaus Zurich
Tel: 41-1-251 6765
Chagall, Kandinsky, Malevich and the Russian Avant-garde: includes important loans from the State Hermitage Museum in St. Petersburg and provincial Russian museums; to Apr 25

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

FT INTERVIEW LEE TENG-HUI

The unrepentant leader

Taiwan's president is in tough talking mood, say **Peter Montagnon** and **Mure Dickie**

Lee Teng-hui comes across as an eminently reasonable man. The smile is natural and continuous, not forced and clenched as many photographs suggest. His manner is mild and relaxed, as befits the man who brought democracy to Taiwan and is now the country's president.

The snag is that his words are anything but reasonable to those to whom they are most clearly directed – his arch rivals in mainland China who have been alternately bullying and cajoling Taiwan to accept speedy unification with a long-separated motherland.

In an interview laced with banter in English and Japanese about sport and his granddaughter's schooling in the UK, an unrepentant Mr Lee avoided the ultimate provocation in the form of a formal declaration of Taiwan's independence. But he described Taiwan as an independent and separate entity of government, expressed support for Taiwanese participation in the planned US theatre missile defence system (TMD), which has recently so enraged Beijing, and insisted that Taiwan could teach China a thing or two about democracy.

Far from injecting a note of calm, these latest utterances – coming just as the US released a report warning of a Chinese missile build-up against Taiwan – will add to already mounting tensions. They may provoke an even greater sense of despair in Beijing over the chances of engineering a peaceful resolution to their sovereignty dispute.

In turn, they will be viewed with consternation by those who worry that an outbreak of hostilities across the Taiwan Strait could become a threat to global peace.

Mr Lee, 76, a native-born Taiwanese brought up in the Japanese colonial period, is an instinctive politician with a popular touch.

Many analysts believe he has deftly caught the shifting political mood. Taiwan's establishment is no longer dominated by mainlanders who fled post-revolutionary China and have always dreamed of returning, while a young and affluent broader public identifies less and less with communist China.

The Kuomintang party, which Mr Lee leads, still espouses the ideal of eventual unification and he maintains that nothing has happened to undermine this possibility. But Taiwan has developed its own unique sense of culture. Unification must only occur when the conditions in China are appropriate and on terms that respect Taiwan's dignity. In the meantime, he says, "you must consider Taiwan is an independent and sovereign area, and a political entity".

That is essentially where his unyielding argument begins and ends. His aides would prefer him to speak not of Taiwan and say he always means to use the island's less provocative official name, the Republic of China. But, perhaps deliberately or perhaps because he is too relaxed in a foreign language, he repeatedly uses the term, Taiwan, that smacks outrageously to Beijing of tacit support for independence.

While Taiwan is keen to talk to the mainland about practical issues like fishing rights and investment, Mr Lee lays little emphasis on the prospect of substantial political dialogue at present. The next round of talks in Taipei will simply give Wang Daohan, Beijing's negotiator, a chance to see for himself what Taiwan has achieved. "He's invited. He will learn about Taiwan. He will get to understand what is democracy, what is freedom."

As for TMD, the concept of a US-led regional defence system against missile attacks is officially only an option that is under consideration, but Mr Lee is unmoved by worries that it could be a financially costly investment that might also provoke China into taking military action against Taiwan.

Instead he is taken with the idea as a means of forcing China into scaling back its weapons and entering talks on Taiwan's terms. "Maybe they might have to throw away their missiles," he chortles.

Equally he remains unrepentant about his controversial visit to the US in 1995. It was not, as many believe, the US decision to grant him a visa that caused a lengthy deterioration in Sino-US relations but a power struggle within China, which was then preparing to adapt to the post Deng Xiaoping era. If the situation arose, he would go on such a visit again.

This is the kind of approach he would like to see continue after his present term ends next year. He will not stand in the presidential election next March but wants his successor to stand for continuity.

After the election, the presbyterian Mr Lee says he wants to devote his time to something useful like missionary work among Taiwan's aboriginal population. But he will retain his position as party chairman for two further years, giving him an important influence over politics if the KMT candidate wins. From that position he will doubtless continue to campaign for his own concept of what Taiwan is and what it stands for.

Despite the emphasis laid frequently in Taiwan on the status quo, it is a concept that has developed considerably during Mr Lee's time in office. In the parliamentary elections last December he began to speak of the new Taiwanese, a citizen with a uniquely local culture who has cast aside the old ethnic divisions between native-born and recent immigrants.

This concept is not inconsistent with the principle that Taiwanese are ethnically and culturally Chinese, Mr Lee believes, but it is a backhanded form of reassurance. Taiwan, he says, is developing a new style of Chinese culture, which, after eventual unification, will become a model for the whole country in terms of politics, education and justice. Behind the red walls of the Zhongnanhai leadership compound in Beijing, President Jiang is scarcely going to appreciate that.

LETTERS TO THE EDITOR

Environmentalists and GM debate

From Mr Charles Secrett.

Sir, Your leading article "The perversion of science" (February 20-21) on the genetically modified food debate suggests that "organisations such as Friends of the Earth ... have too often been contemptuous of facts and dishonest in their use of scientific findings". You provide no evidence whatsoever to support this claim.

Our role in the GM food controversy has mainly been to publicise environmental concerns about GM crops. These include the danger of cross-pollination producing environmentally damaging mutations, the likelihood that pesticide and weedkiller resistant crops may encourage use of more, or more powerful, sprays – damaging to biodiversity – and the risks of allowing large multinational companies to gain further control over our food chain by patents on key genes and restrictive contracts with farmers.

For each of these arguments we have provided extensive evidence, which can be found on our internet web site by anyone with sufficient energy to conduct some research.

If your newspaper wishes to lecture other parts of the media about their attitude to science, it would strengthen your case if your own attitude to facts were a little less cavalier, and if your editorial writers had sufficient journalistic integrity to check their more damaging assertions before they appear in print.

Charles Secrett,
director,
Friends of the Earth,
26-28 Underwood Street,
London N1, UK

Allergy to scientific facts is catching

From Mr Michael Kenward.

Sir, Gerald Dorey ("Monsanto miscalculated over environmentalism", Letters, February 25) is spot on in his assessment of the role of the environmentalists in fuelling the media's feeding frenzy over genetically manipulated foods. But he spoils his argument by a blanket assertion of "the inability of the media to forgo a nice horror story".

This saga has been as much as anything an excellent case study in how the press reports science. With the exception of the ever daft tabloids and the congenitally green publications printed with vegetarian ink, much of the coverage was actually balanced and informed. Several correspondents even went so far as to explain how science works, and that Dr Arpad Pusztai's techniques of information dissemination fell at the first hurdle. Publication by press conference has never carried much weight.

Having defended my colleagues in science writing, I can understand why the political and general reporters made a bit of a dog's dinner of the story, but I am puzzled by the alacrity with which several environmental correspondents unthinkingly bought the greenwash, often reaching very different conclusions from their science-writing colleagues. Perhaps they have spent too much time with environmentalists and have caught their allergy to scientific facts.

Michael Kenward,
Grange Cottage,
Staplefield,
West Sussex, RH17 6EL, UK

Huge task of destroying landmine stockpiles

From Mr Ian Mansfield.

Sir, The destruction of 2m anti-personnel landmines by the British Army is encouraging news (your report, February 23). The UK is sending a clear signal to other countries about the importance of destroying stockpiles of landmines, as required by the Ottawa Convention. The landmine treaty, signed by 133 countries and ratified by 65, comes into force today. It requires countries that have ratified to destroy their stockpiles of landmines by March 2003, and to ensure the destruction of deployed landmines within 10 years.

The destruction of stockpiles is an extremely important step, and in some cases an enormous task. Ukraine, for example, is estimated to have 10m mines in its stockpile, and has approached Canada for assistance in destroying them. However, the concern among humanitarian and relief agencies is that the already limited funding for existing mine clearance-related projects should not be diverted to pay for stockpile destruction, and that additional resources must be forthcoming for this task.

Nor should the neutrality of existing civilian mine action programmes be compromised by requiring them to enter military bases. Separate bilateral arrangements must be developed between nations' militaries to undertake these "single event" stockpile destructions.

Ian Mansfield,
head of mine action team,
United Nations
Development Programme,
One United Nations Plaza,
New York, NY 100017, US

Wrong about US recessions

From Dr Wynne Godley.

Sir, Arun Hargobind (Letters, February 24) is wrong when he asserts that "recessions [in the US] are kept shallow by stimulating the tradeables sector with a weaker dollar".

During the 1974-75 recession there was a short-lived depreciation of the dollar; but the temporary improvement in the trade balance was so small that it did little to alleviate the recession. During the 1981-82 recession the dollar strengthened spectacularly and there was a deterioration in the trade balance that accentuated the recession. During the 1990-91 recession there was a small depreciation of the dollar but the improvement in the trade balance was not nearly large enough to mitigate the recession significantly.

Mr Hargobind's reference to the (small) fall in the dollar between April 1991 and August 1992 is very obscure, particularly as the trade deficit increased from \$12bn in the second quarter of 1991 to \$38bn in the third quarter of 1992. This was a period when the dollar was fluctuating about a flattish trend and the numbers are greatly affected by small differences in the periods chosen for comparison – for instance, between the first quarter of 1991 and the fourth quarter of 1992 the (trade weighted) dollar rose nearly 5 per cent.

Mr Hargobind completely ignores the fact that the large and growing excess of private expenditure over income in the US has no precedent and he does not address my argument that this unique excess carries unusual dangers.

Wynne Godley,
The Jerome Levy Economics Institute of Bard College,
Blithewood,
Annandale-on-Hudson,
New York 12504-5000, US

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

PERSONAL VIEW ONNO DE BEAUFORT WIJNHOLDS

Maintaining an indispensable role

Rather than attempting to play at lender of last resort, a role for which it is not well equipped, the IMF should settle for a less ambitious approach to its lending policies

In the debate about "reforming the international financial architecture" (really a matter of renewing the wiring and plumbing, but changing the architecture sounds more important), there have been several calls for the International Monetary Fund to become a lender of last resort. These suggestions pose serious problems.

Rather than have the IMF play a role that it is not well equipped to take on and that carries a considerable risk of moral hazard, the Fund should settle for a less ambitious approach in its lending policies, while seeking to increase the involvement of the private sector in dealing with financial crises.

Using this approach, the IMF could continue to play an indispensable role in dealing with countries facing serious external imbalances. In fact, there is a need to strengthen the role of the Fund as the "indispensable lender", not by providing ever larger credits but by making sure that other creditors take their fair share in the resolution of international financial upheavals.

The notion of a lender of last resort is best known in a domestic context, where central banks stand ready to provide liquidity to illiquid but solvent banks, usually against collateral and at a penalty rate.

Applying this concept to the IMF is inaccurate on two counts: the Fund is not a world central bank with unlimited money-creating powers; and it lends to countries, not to banks. These two facts mean the IMF can assume a lender-of-last-resort role only to a limited extent.

Its resources come from national governments which are clearly unwilling to provide it with the amount of money that such a role would entail. Also, the Fund cannot make a distinction between solvent and insolvent countries. Indeed, the very concept of insolvency is not well suited to sovereign nations.

Even though the IMF cannot be a fully-fledged lender of last resort because of its funding constraint, attempts at playing such a role could be harmful, especially when announced in advance. The moral hazard this would create could be unacceptably high, and efforts to achieve an equitable burden-sharing in times of financial crises would be seriously undermined.

Granted, moral hazard problems would probably not be serious with respect to the borrowing countries, as long as adequate conditionality is maintained. But they apply with full force on the creditor side. Banks and other financial institutions have the IMF very much in mind as a source of comfort when making decisions about whether to lend to risky countries, where higher yields can be obtained.

The only way to reduce moral hazard drastically is for the IMF to refrain from attempts to become a lender of last resort

While suggestions have been made to reduce such moral hazard, they are not very convincing. The only way to reduce moral hazard drastically is for the IMF to refrain from attempts to become a lender of last resort.

In this light, the proposal to create a contingent credit line within the IMF is not helpful. The obvious danger is that the existence of such a contingent credit line on top of the already existing facilities of the IMF would provide even more comfort to private sector lenders.

Moreover, it could well engender moral hazard on the borrower side, too. This is because a contingent credit line in effect constitutes an up-front guarantee that the IMF will bail out a country that in the past has conducted adequate policies. Under such a system, it would be hard to maintain the sort of conditionality required under existing Fund facilities, with their prior requirements and performance criteria.

Those who are sceptical about this argument should think about what would have happened if such a contingent credit line had been available to Indonesia or South Korea in 1997 or to Brazil in 1998.

A prior question lurks behind the debates on lender of last resort and the contingent credit line: is it really essential for the IMF to provide the bulk of countries' financing needs in order to play a central role in the resolution of their financial and economic problems?

Experience so far suggests the answer is no. The Fund provides on average no more than 10 per cent of the financing requirements of the countries that turn to it for support (in special cases it has been considerably larger). Yet it is generally considered to be the pivot of the process.

This is the role of the IMF as the indispensable lender. The Fund is indispensable because its conditionality constitutes the best possible guarantee of timely repayment (most countries cannot provide adequate collateral). It also provides the best hope of a – possibly lasting – improvement in the borrowing countries' economic policies

Other official lenders tend to link their money to a Fund programme: the Paris Club, the World Bank, the European Union and official bilateral lenders. Also, private sector participants, particularly commercial banks, are more willing to lend to a country if an IMF programme is in place (although obviously this is a much looser link).

This process – often referred to as the catalytic role of the Fund – is only one element of its "indispensable lender" role. The IMF also co-ordinates the contributions of other official creditors – during a crisis.

Indeed, the Fund might well do more here, especially in involving the private sector. The missing link in dealing with international financial crises has often been the lack of mechanisms for involving private companies. In playing a more active and at times forceful role here, the IMF would strengthen its role as indispensable lender without resorting to the provision of even larger credits of its own.

All the same, the Fund needs to tread cautiously in this area. While it and creditor governments should take into account the concerns of the private sector in dealing with financial crises, it should be kept in mind that the Fund's Articles call for it to provide credits "to give confidence to members" – and not necessarily to members' creditors.

In sum, the IMF should not be pushed into the role of lender of last resort, a role that it cannot wholly fulfil and is also fraught with moral hazard. The Fund can and should continue to play a central role in addressing financial upheavals without providing the bulk of the financing needs of countries in crisis.

By linking its credits to sound economic programmes, and by involving other parties, including the private sector, the IMF will be the indispensable lender.

The author is an executive director of the IMF

Union CAL — Forex, Futures & Options — 24 Hour Service - Internet Dealing — Free Real-Time Prices - Competitive Commissions — 0171 283 8333 — Website: http://www.unioncal.co.uk

FUTURES OPTIONS & FOREX — PRIVATE CLIENTS WELCOME — BERKELEY FUTURES LIMITED — 38 DOVER STREET, LONDON W1X 3RB — TEL: 0171 629 1133 FAX: 0171 495 0022 — http://www.bfl.co.uk

Futures & Options — Online Trading — Margined FOREX — £5-£22 — 0800-262-472 — LIND-WALDOCK & COMPANY

mini REUTERS — Freephone FUTURES PAGER for a free trial 0800 88 88 08 — www.futurespager.co.uk

Index Direct — Low Stakes–Unlimited Risk — FINANCIAL SPREAD BETTING — FREEPHONE 0800-358-5599 www.indexdirect.co.uk

OFFSHORE COMPANIES — www.ocra.com — OCRA WORLDWIDE

Argus Global Markets — Comprehensive weekly coverage of oil prices and markets — Petroleum Argus

MARGINED FOREIGN EXCHANGE — +46-406900012

SUCDEN (UK) LIMITED — TRADING FUTURES - OPTIONS - FOREX? — Competitive commissions and speedy fills — Telephone answered on the first ring — Direct access to floors of all major exchanges — CALL NOW on 0171 940 9600 — www.sucden.co.uk

ALL FUTURES, OPTIONS & STOCK OPTIONS — TRADE SHARES ON MARGIN — LONG & SHORT – 0.25% COMMISSION — GNI — Member of the London Stock Exchange

ED&F MAN DIRECT — UK'S LEADING FUTURES BROKER — +44 (0)171 285 3888

OFFSHORE COMPANIES & BY LAWYERS — 90-100 SYDNEY ST, LONDON SW3 6NJ, UK

world's first/award-winning/commission-free/instant execution — FOREX — www.forex-cmc.co.uk — on.the.net

The FT GUIDE TO WORLD CURRENCIES

TENFORE — A member of the EuroAmerican Group — +44 (0)171 405 1004 — http://www.tenfore.co.uk

£1 PER DAY — www.forexia.com

COMMERCIAL DATA INTERNATIONAL, INC. — Economic Profiles with Free On-line News Updated Daily — 191 countries. \$39.95 US each. Regional, World Sets & Discount — http://www.cmdaint.com — Phone: (713) 355-6500

From Data Broadcasting Corporation — REAL-TIME DATA ON YOUR PC — IN YOUR COUNTRY NOW — 70 Countries across Europe, the Middle East and Africa – from Ireland to Moscow, from Finland to Yemen — DBC International — www.dbceuro.com — Tel +44 171 793 3100

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday March 1 1999

Hong Kong's rule of law

There always was a reason to worry about the independent rule of law in Hong Kong after the handover to Chinese rule.

The constitutional row between the former British colony and Beijing over a recent ruling by the territory's top court shows that those worries are justified. This will damage Hong Kong's standing as a business and financial centre. It is up to politicians on both sides to limit the injury for the sake of their own self-interest.

At stake is the credibility of the "one country two systems" deal under which the territory reverted to Beijing in 1997.

Making this work was never going to be easy. That was made all the more clear when Hong Kong's highest court, the Court of Final Appeal, was obliged by Beijing to clarify the most important constitutional judgment it has ever made.

A chastened court had to reaffirm that the territory's post-colonial constitution did not allow it to question the authority of the National People's Congress, the Chinese parliament.

The NPC's constitutional supremacy over Hong Kong is not the main worry. It is stipulated in Hong Kong's post-colonial constitution, the Basic Law. But the background to the row demonstrates insensitivity to the rule of law on the part of both governments.

The source of the dispute was a decision by the court that mainland children had the right to live in the territory if one parent was a permanent resident – and even if they did not have a Chinese exit visa.

Hong Kong's judges maintained that they had the right to review acts of the NPC and declare them invalid in Hong Kong if they contravened the Basic Law.

The Beijing government saw this as an unacceptable threat to the NPC's supremacy. So it asked for parts of the ruling to be clarified. In response, the Hong Kong government took the unprecedented step of asking the court to review its decision: a challenge to the judicial autonomy on which any capitalist economy depends. It is no wonder local and foreign business interests are worried.

The risk is that this might be a foretaste of even more serious constitutional upsets, as the Chinese government struggles to come to terms with the rule of law in Hong Kong. If its courts run into trouble over immigration, the scope for more constitutional rows in the future is worrying.

Some comfort can be drawn from the fact that the substance of the court's decision remains intact. Even so, this is a reminder that it is in the interests of both governments to respect Hong Kong's rule of law. If they do not, confidence in both of China's systems will weaken.

Bad company

Sometimes the company you keep can seem as important as the cause you espouse. Opponents in Britain of Europe's single currency have long laboured under the handicap that for many of their number hostility to the euro is symptomatic of a visceral dislike of all things European.

In parts of the Conservative party especially the line between Emu-scepticism and Europhobia often seems perilously thin. A rational case for opting out of the single currency is not easily made by those who still see Germany as a nation conspiring for European domination.

Thus the latest convulsions in William Hague's party reflect the fact that euro supporters such as Kenneth Clarke and Michael Heseltine give every appearance of being moderates while never-say-yes opponents cast themselves as extremists. The launch today of a new cross-party campaign to "save sterling" is intended to address that weakness. The New Europe group believes Britain can continue to play an active role in European Union affairs while remaining outside the new monetary arrangements of the euro-zone.

The executive board includes a fair number of the great and good from across politics and business. It is impossible to cast Martin Taylor, the former chief executive of Barclays Bank (and long before that a writer on this newspaper), in the stereotypical mould of paranoid Europhobe. The same can be said of lords Healey and Prior. In Lord Owen, the group has chosen as its chief spokesman someone with a record of pro-Europeanism – though one, it must also be said, whose political career often saw him as a champion of lost causes.

Less clear is the basis of their opposition to the euro. Lord Healey appears to rest his objections on the view that a "one-size-fits-all" monetary policy is economically unsustainable, while others fear that economic and monetary union must lead to a European superstate. A third concern seems to be the lack of political accountability.

Yet supporters of participation in the single currency (which include this newspaper) should welcome the fact that at least one grouping on the opposite side intends to frame the arguments in rational rather than emotional terms. When Britain votes in a referendum on the issue it must do so after an informed debate.

That said, New Europe faces a thankless task in seeking to persuade people that Britain can retain a powerful voice in European affairs outside its most important economic alliance. Nor does a common monetary policy ipso facto demand a single economic government. We look forward to the debate.

Quack medicine

Pat Buchanan, the maverick right-wing US politician, does not deal in ambiguity.

His planned appearance today in Weirton, a depressed West Virginia steel town, ahead of the launch tomorrow of his presidential campaign, signals unequivocally his intended electoral pitch. It is that imports are destroying American jobs, and that the US should fight back by raising trade barriers and shutting out the rest of the world.

That was Mr Buchanan's refrain in the last two presidential elections. It is no more likely this time to win him the White House. But he appears to believe it will prove popular enough for him at least to influence the debate and put his opponents on the spot. He might just be right.

Conventional wisdom holds that while the US economy remains strong, protectionism will stay muted. The one exception is the steel industry, hard hit by cheap imports. President Bill Clinton's administration has reacted by talking tough on trade but doing relatively little, hoping the import surge will abate.

However, there are growing signs of public frustration that so much responsibility for global economic recovery is falling on the US. The administration's public alarmism about the rising US trade deficit has stoked the flames.

Neither Al Gore nor George W. Bush, the Democratic and Republican front-runners respectively for the White House, has capitalised on this mood, not least because they are instinctively internationalist. That leaves Mr Buchanan with a monopoly over isolationist and protectionist solutions. If these look like catching on, his mainstream opponents should respond by tackling him head-on.

They need to show Mr Buchanan's supposed remedies up for the dangerous quack medicine they are. Free trade and cheap imports undeniably cost some jobs in weak industries. But they create many more and generate prosperity, by enabling producers to source inputs efficiently and stimulating them to become more competitive. Erecting trade barriers would not only deny US businesses these advantages but could trigger a spiral of protectionism worldwide, which would severely harm US exports and the growing number of jobs which depend on them.

Mr Clinton, although no protectionist, has not done enough to persuade the US electorate of the basic case for open markets. Now he is committed to another world trade round, it needs to be made forcefully – by him and by his would-be successors. They should seize the opportunity presented by Mr Buchanan's candidacy to drive forward the argument for free trade.

Tax harmony? No thanks

Attempts to reform taxation across the EU will meet huge resistance, say Kevin Brown and Jim Kelly

They did not ask. They may not want to hear the answer. But they had better start listening. Oskar Lafontaine and Dominique Strauss-Kahn have separately suggested proposals that would harmonise Europe's corporate taxes and remove the national veto on taxation changes. Now Europe's business people are starting to respond. And the message to the politicians is clear: they hate it.

An FT survey of European business organisations, carried out over the past six weeks, reveals virtually no support for the ambitious tax reform agenda set out by the German and French finance ministers.

The main business organisations in 14 EU countries gave us their views. Only the Portuguese failed to respond. Jacques Creyssel, director-general of Mouvement des Entreprises de France, the main French business organisation, gave full support to both tax harmonisation and a move to qualified majority voting on tax matters in the council of ministers. But Mr Creyssel was the only national business leader to do so. And he opposed harmonisation unless it was designed to cut the overall tax burden.

There was patchy support for various elements of the proposals in Belgium, Greece and Sweden. And some business leaders said they were in favour of a modicum of voluntary co-ordination. But the thrust of business opinion was clear. From Germany to Ireland, Finland to Italy, there was overwhelming hostility to any enforced move away from competition between national tax systems.

There was also scepticism about the hidden agenda behind the proposals. "Business is very wary of the particular forum for this debate, which is a cartel of finance ministers trying to find ways to increase the aggregate level of tax," says Adair Turner, director-general of the Confederation of British Industry.

"There is not, in the business community, a visceral objection to this issue being on the table, but there is a lot of suspicion about where it would lead, given the motives of those who are putting it on the table, particularly in France and Germany."

The launch of the euro, the common currency for a single EU market, was always likely to be the spark that ignited a furious debate about whether EU members should harmonise tax and move towards qualified majority voting in the council of ministers on tax decisions. Monetary union inevitably increases pressures on national governments to create a level playing field for business.

But it was Mr Lafontaine, Germany's mischievous finance minister, who pitched the issue into the political arena. He sees tax harmonisation as an ideological goal of his Social Democratic party.

Mr Lafontaine is not alone. Mr Strauss-Kahn, his French opposite number, has publicly called for majority voting on tax issues. Mario Monti, the European commissioner for the single market, has said he opposes minimum corporate taxes but has warned that pressure for change may be difficult to resist unless member states end "harmful" tax competition.

Mr Lafontaine, memorably described by the UK's Sun newspaper as Europe's most dangerous man, was eventually persuaded to use the phrase "tax co-ordination" in an effort to smooth ruffled feathers in London. But unbowed by the furore his remarks caused, he went on to flesh out Germany's policy with the backing of Gerhard Schröder, the German chancellor.

Mr Lafontaine believes taxes in Europe have converged in the wrong direction. Taxes paid by workers on consumption and wages have been pushed up, as have social security contributions. Taxes on assets, capital and company profits always go down. "Correcting this totally mistaken trend is a task not just for the German government. It is a task for every party in Europe which describes itself as social democratic," says Mr Lafontaine.

Harmonising corporate taxes could be justified if there was real evidence that unfair tax competition was damaging some EU member states at the expense of others. The intellectual underpinning for this argument has been best put by Mr Monti, who argues that low business taxes – designed to stimulate economic activity and attract fresh investment – should be treated just like illegal state aid. The analogy seems reasonable at first sight. But there are many who think it breaks down under scrutiny.

Paul Seabright, a senior research fellow at Churchill College, Cambridge, says state aid is most suspect when it is aimed at giving a substantial commercial advantage to a domestic company with significant market power. But general business taxation applies to all companies operating in a particular tax jurisdiction, along with the regulatory framework and the public infrastructure. "There is no more reason to expect these costs to be the same across countries than to expect the cost of labour to be the same across countries," says Mr Seabright.

If low taxes in one country really do damage others, there ought to be evidence in Ireland, which has had an average annual economic growth rate of about 5 per cent for the past 15 years, and has also been spectacularly successful at attracting foreign direct investment.

Ireland has now agreed with the European Commission that it will phase out its 10 per cent rate of tax for manufacturers and exporters in favour of a standard rate of 12.5 per cent from 2003, still very low by EU standards. But has Ireland's special rate of tax attracted investment at the expense of other EU states?

Maybe, says Mr Seabright. Some investment has probably gone to Ireland that might have gone elsewhere. But some has probably come to the EU that would not otherwise have come to Europe at all. And Ireland's rapid growth has probably had modest spillover effects through trade with other member states.

Ireland has been spectacularly successful at attracting foreign direct investment

Frances Ruane, professor of economics at Trinity College, Dublin, says it is undeniable that low corporate taxes have been a big selling point for the Irish economy. But there are many other factors, such as improving skills levels and wage restraint. Most importantly, foreign direct investment in Ireland is overwhelmingly from the US, and that is arguably because of the close cultural affinity between the two countries, and determined Irish marketing efforts. "Without Ireland having been so proactive in looking for US FDI over a long period of time, it might not have come to Europe at all," says Professor Ruane.

At a superficial level, Ireland's decision to abolish the special rate for exporters was a victory for tax harmonisation. Corporation tax rates across the EU have dropped by an average of three percentage points to 36 per cent in the past three years.

"While there are still differentials between the EU member states, it is interesting to note that France, Germany and six other European countries reduced their tax rates last year," says Ian Barlow, head of tax at KPMG, the professional services organisation. "We would expect the advent of the euro to accelerate that trend."

But corporation tax rates are arguably the least helpful indicators of the actual tax burden shouldered by business. "Tax rates are possibly the last thing you should be looking at," says Mr Barlow. Not only is it very difficult to gauge the aggregate tax burden on companies, it is difficult to assess the impact of taxes on individuals that impinges on business.

The taxes actually paid by business are governed by a range of factors that define the tax base – the income upon which the rate is levied. Tax systems in Europe have fundamentally different approaches to the tax base. "The UK taxes companies at a low rate. France and Germany have high corporate tax rates but companies there typically pay much less in corporate taxes. We just think our system is more efficient," says Nicholas Dee, of the CBI tax committee.

There is massive variation in the tax base across the EU involving tax allowances and exemptions. In the UK and France, for example, there are no tax allowances on the acquisition of goodwill – the difference between the price paid for a company and its net asset values. But allowances are available in Denmark and Italy. Even this pattern of taxation is distorted by tax breaks and tax havens. There are widely differing regimes for the treatment of income channelled through dependent territories.

All EU member states agree that "harmful" tax competition should be outlawed – the problem is defining harmful. A group of officials led by Dawn Primarolo, the UK's financial secretary, is investigating 80 specific tax measures. Regional tax breaks, such as those in Italy, and industry tax incentives, such as those enjoyed by the UK film industry, may be ruled out.

The group is also likely to look at the tax regimes for foreign companies. There is competition between financial centres, such as London and Amsterdam, to offer incentives to companies to bring their headquarters operations there. The taxation of profits channelled through such centres also differs widely. The Primarolo group was to have moved on to look at whether member states' general tax regimes were harmful – but that move was blocked by the Irish.

Taken together, these factors mean that even if all EU members had the same corporation tax rates, the result would still be a patchwork of corporate tax regimes. That will not stop Mr Lafontaine pressing his harmonising agenda. But there must be strong doubts about whether business can be persuaded the motive is really to make Europe a better place to do business. And, as the FT survey makes clear, any attempt at compulsion will provoke howls of outrage.

Corporate taxation

Country	Germany		France	Italy	UK	Spain	Den.	Finland	Austria	Neths	Sweden	Bel.	Ireland	Greece	Lux.	Portugal
Business organisation	BDA	BDI	MEDEF	CGI	CBI	CEOE	CDI	CFE	VOI	VNO-NCW	FSI	VBO-FEB	IBEC	FGI	FEDIL	AIP/CIP
Are you in favour of weighted majority voting on tax matters in the Council of Ministers?	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗	✓	✗	–
Are you in favour of the proposed European Company statute?	✓*	✓*	✗	✓	✓	✗	✗	✓	✓	✓	✓	✓*	✓*	✓*	✓*	–
Do you think that the tax base for companies across Europe should be harmonised?	–	✗	✓	✗	✗	–	✗	✗	✗	✗	✓	✗	✗	–	✗	–
If so, do you think the proposed European Company statute should be used to achieve this objective?	✓	✗	✗	✓**	✗**			✗	✗*	✓	✗	–	–	–	–	–
Do you think tax rates for companies across Europe should be harmonised?	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗**	✗	–	✗	–
Do you think EU countries should be allowed to offer special tax regimes to attract business from other EU countries?	✓***	✓***	✗	✗	?	✗	✗	✗	✗	✓	✗	✓	✗	✓***	–	–
Do you think governments should be allowed to use tax breaks to assist specific industries?	✗	–	✗	✗	?	✗	✗	✗	✗	✓	✗	✗	✓	✗	–	–
Do you approve of the European Commission's proposals for a withholding tax on cross-border savings income?	✓	✓	✓*	✗	✗	✓	✗	✓*	✓*	✗	✗	✓	?	✗	–	–
Do you think countries should be allowed to levy a zero rate of Value Added Tax on some products and services?	✓*	✓*	–	✗	✓	✓*	✗	✓****	✗	✗	✗	✗	✓	✗	–	–
Do you think the burden of corporate taxation in your country is too high, too low, or about right relative to the rest of the EU?	Too high	Too high	Too high	Too high	Too high	Too high	Too high	About right	About right	Too high	About right	Too high	About right	Too high	About right	–
Corporate tax rates, Jan 1999 (%) (relative tax burdens are also affected by the tax base)	32.31/43.60		40	41.25	31	35	32	28	34	35	28	40.17	28	35/40	37.45	37.40

✓ Yes ✗ No ? Under review

* Reservations ** but favours possible voluntary alignment *** no discrimination between domestic and foreign companies **** no further expansion

Source: KPMG

OBSERVER

As clear as mud

When it comes to good corporate governance, most Russian companies just haven't got what it takes. But their loudest critics are not always the best placed to attack.

Take the team from US group Dart Management. It's gearing up in the next few weeks to attack the opaque accounting and dubious use of offshore vehicles by majority shareholders. It refuses to disclose how much it paid for its Russian shares or how much money it manages overall, and it's based in that offshore haven hardly known for its openness, the Cayman Islands.

And then there's the self-righteous Cambridge Capital Management. It's demanding the use of more candid financial statements and transparency from those Russian companies in which it has invested a sum it refuses to reveal. It won't talk to the media, and its adviser isn't authorised to reveal where its registered headquarters are. So that's cleared up then.

Tough talking

Why bother to phone when you can afford to fly? The thought clearly never struck one of the very first users of an Iridium phone, a hand-held mobile that can be used everywhere from the South Pole to the Sahara desert.

The busy businessman hired the phone to go on holiday to Scotland, but was astounded to find he'd run up a bill for £6,000. Iridium calls cost between £3 and £5 a minute – and the executive had been on the blower for around 25 hours.

"Not much of a holiday," mused Ed Staiano, Iridium chairman, recounting the story as he revealed that his company was about to begin talks with bankers over why so few had taken the Iridium service. Observer can't imagine why.

Clementi steps in

London, Paris and Frankfurt are busy slugging it out for the honour of being called the financial capital of Europe. But the people leading the charge in each city have never met.

That's about to change. UK think-tank, the Centre for the Study of Financial Innovation, has persuaded Finanzplatz Deutschland's Stefan Seip and Arnaud de Bresson of Paris Europlace to meet in London to thrash out the future of financial Europe with their UK counterpart.

That raises an awkward question. Who is their UK counterpart? Actually, no one. Unlike France or Germany, London has no single body representing the stock exchange, the big banks, the central bank and the local authority.

All is not lost though. David Clementi, deputy governor of the Bank of England, is to save the day and attend the meeting. Should prevent a few red faces.

Strikes a chill

Spare a thought for harassed information technology bosses desperately wondering where their next lucrative millennium bomb is coming from.

It's nice to know that, whatever the next challenge, they've already created the requisite piece of jargon. The industry that brought us "hardware" (the computers themselves), "software" (the programs they run), and even "vapourware" (strongly hyped products that don't exist yet), has now coined "warmware" to describe a commodity vital to the success and well-being of any organisation: people.

Taking a dive

A recent cold snap and the waning opinion poll ratings of the right-wing government led by the Fidesz Hungarian Civic Party have prompted a rather unpleasant thought in some Hungarian civil servants' minds.

What, they whisper, would happen if prime minister Viktor Orban, finance minister Zsigmond Jarai and the colourful head of the tax office, Lajos Simicska, were all out skating together and the ice broke?

Would Orban's footballing skills get him out? Would Jarai's ability to grapple with new challenges save him? In recent years he's run Magyar Hitel Bank, now ABN Amro's Hungarian operations, and been head of the Budapest Stock Exchange. Or would it be Simicska, who's already had to extract himself from a few high-profile rows? But puzzle no longer over it. The favourite answer to the question of who would be saved: "The Hungarian people, of course."

Short fuse

It was only a matter of time. After road rage and air rage, along comes network rage – and a survey of the damage that disgruntled computer users inflict on their machines. Eighty three per cent of them have apparently resorted to abusive and often violent behaviour as a result of keyboard problems, resulting in shattered monitors and kicked in hard drives.

Some users, according to the Concord Communications survey, don't understand why the mouse doesn't work when picked up and pointed at the screen, while others become enraged when they can't find the right keys.

But Observer's favourite concerns the store manager who complained the floppy drive on his PC wasn't working. It seems employees had misused the floppy slot. It was stuffed with hundreds of cheques.

The Financial Times

100 years ago

Progress Of Cripple Creek

"Cripple Creek", as El Paso County is generally known, is not only steadily increasing its output of the precious metal but actually takes the lead in this respect of all the counties of the State of Colorado. During 1898 Colorado produced gold to the value of $26,846,835, an increase over the previous year's returns of a trifle in excess of 37 per cent.

Of this total, it is estimated Cripple Creek has contributed in round figures no less than $15,000,000, the next largest producing county being Gilpin, with an output of $2,580,445.

50 years ago

Italy's Import Tariff

Rome, Feb 28. Great anxiety is shown by Italian import trading circles regarding the new Italian tariff, which is reported to set up very heavy protective barriers for Italian industry. It is rumoured that the duty on many goods is more than 100 per cent. Raw steel, for example, is 80 per cent of its value.

The new tariff will not be submitted to Parliament for approval and will come into effect on solely Cabinet approval.

FINANCIAL TIMES
MONDAY MARCH 1 1999

ECCLESIASTICAL

THE LEX COLUMN

Top markt

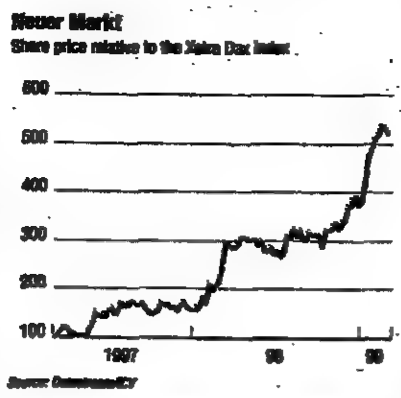
At last, some good news about Germany. Defying the stereotype of the German economy as over-regulated and inimical to young companies, the Neuer Markt is thriving. Since its 1997 launch it has outperformed the Dax by a blistering 430 per cent. In attracting listings and providing a liquid, well regulated aftermarket, it leaves Europe's other growth markets standing.

By favouring innovative, technology-led listings and insisting companies prove their growth credentials by raising new capital, the NM has overcome the Europe-wide bias against small-company markets. The contrast with, say, the UK's unfocused and dramatically underperforming Alternative Investment Market is obvious.

The danger for the NM, however, is that current valuations – it is on a 2000 p/e ratio of 59 – prove unsustainable. Having outperformed the Dax by nearly 50 per cent this year, it contains many stocks with fantasy ratings. The hordes of often internet-based retail investors may find their new found love affair with equities enters a rocky patch.

But for now the NM's success is a highly visible sign of the changing face of German capitalism which promises new jobs in new industries. While its rapid growth has been helped by the large pool of Mittelstand companies itching to tap new sources of equity finance, the NM is a phenomenon from which other European markets have much to learn.

Neuer Markt
Share price relative to the Xetra Dax index



Source: Datastream/ICV

South African Breweries

In some ways, South African Breweries looks a straightforward proposition. Its core business has annual sales of $4bn, operating profits of about $600m-$700m and double digit underlying growth. SAB had a market value of more than $5bn at Friday's close in Johannesburg, making it a candidate for the FTSE 100 index.

But nothing is straightforward. About three-quarters of SAB's profits come from South Africa. The rand's slide against the dollar has hit its figures in translation, and the risks of emerging markets are starkly illustrated by last year's $71m write-down in Russia. SAB has a non-core industrial business for sale, PGSI, which issued a profits warning this month. Even after the £150m fund raising, the group is struggling to qualify for membership of the FTSE 100 index. It is going to be a sweaty 10 days until the indices committee meets.

What makes the shares even more of a punt is SAB's deal-making potential. Will it be a takeover target? Its largest shareholder has already dangled a 28.5 per cent stake in front of rival international brewers. But the South African authorities would surely balk at a takeover of a virtual domestic monopoly. More likely, SAB will merge or buy. But if nothing happens, it faces a hard slog to build popularity.

US financial regulation

How can two men credited with the most sparkling economic management in a generation disagree so hopelessly over so little? Alan Greenspan, the US Federal Reserve chairman, and Robert Rubin, the US treasury secretary, show no signs of coming to their senses over modernising the ludicrously outdated laws that splinter the US financial services industry.

After two weeks of testimony before Congress, they seem more deeply entrenched than ever in the turf war over who should lead regulation of the new financial conglomerates. The simple answer would be to let the industry decide which regulator should win the day, and which corporate structure prevails.

Given the congressional quagmire, what can the industry do? After two decades of infighting, the various lobby groups broadly agree on the objective of removing the barriers between banking, securities and insurance companies. They know that without legal reforms, the industry faces more of the same costly muddle. Banks, insurers and brokers will continue wriggling through regulatory loopholes to achieve some measure of diversification. Mr Greenspan rightly sees this ad hoc approach as inefficient and inconsistent. But as long as the wrangle continues – and the threat of a presidential veto hangs over the proposed legislation – the prospects for Citigroup being able to hold on to its insurance operations look increasingly doubtful.

Electricity deregulation

Continental Europe is slouching towards electricity deregulation. What will this mean for Europe's utilities? Consider the incumbents, including Endesa in Spain, Enel in Italy, Eléctricité de France, and Viag, Veba, Bewag and RWE in Germany. Their domestic power base will eventually be gnawed away. But, as PowerGen and National Power have shown in the UK, it is possible to cling on to a substantial chunk of the home market for a long time.

The key is regulation. Sale of generation assets may be imposed by governments – as in Italy – or opened up to the private sector – as in the Netherlands. But competition in generation is not much use if rivals cannot access the transmission system on fair terms. Incumbents often control both the transmission of electricity and its supply to users. Transparent tariffs are needed, as well as ring-fencing between transmission and supply. This is needed to ensure confidential customer data is used only for transmission purposes, not by incumbents seeking to bolster their own supply divisions.

Europe's regulators will be pushed in this direction by aggressive outsiders shouting about the raw deal European consumers get because of weak competition. Meanwhile, ambitious incumbents should use their low cost of capital – courtesy of low interest rates – to consolidate. Why not an Endesa/PowerGen deal capped by a US deal later? Those corporate financiers had better start brushing up their language skills.

INFLATION-BUSTING DEAL MAY INFLUENCE ECB OVER INTEREST RATE CUTS

Trade unions win 3.1% pay rise for German workers

By Tony Barber in Frankfurt

Trade unions representing more than 3m German public sector workers have won a pay increase of 3.1 per cent, far in excess of the annual inflation rate of 0.2 per cent and more than the government had envisaged in its draft 1999 budget.

The pay deal, which will take effect in April and run for 15 months, was agreed on Saturday, less than two weeks after the engineering workers' union IG Metall, the biggest in Germany, won a wage increase worth roughly 4 per cent a year.

Economists said the German pay settlements might stiffen the resistance of the European Central Bank to cutting interest rates in the eurozone when its Governing Council meets in Frankfurt on Thursday.

Wim Duisenberg, ECB president, has made clear his reluctance to reduce the main refinancing rate, now at 3 per cent, if he detects evidence of excessive wage rises and budgetary indiscipline among eurozone countries. His opposition to a rate cut has infuriated Oskar Lafontaine, Germany's finance minister, who says the country faces a risk of deflation and that generous pay increases are a useful way to boost demand in the economy.

Latest figures show that Germany suffered a 0.4 per cent contraction in gross domestic product in the final three months of 1998.

Germany's public sector workers had originally demanded a 5.5 per cent pay increase and staged warning strikes last week in dozens of cities, disrupting public transport and rubbish collection services.

Chancellor Gerhard Schröder's centre-left government said the draft 1999 budget had set aside enough for only a 1.5 per cent pay rise.

But the government was also anxious to avoid a pay battle with state employees of the kind that forced independent arbitration in the last two years of the previous conservative government.

Employers in the engineering industry were angry at having to concede a pay rise of roughly 4 per cent and predicted that it would rebound on their workforces by forcing job cuts.

But IG Metall's success has encouraged high wage claims elsewhere in the German economy. The IG Bergbau, Chemie, Energie union, representing chemical workers, is demanding a rise of 5-5.5 per cent.

Other unions representing banking, insurance and retail workers are seeking wage rises of 6-6.5 per cent.

The airline Lufthansa, whose workers are represented by the same unions that negotiate for the public sector, agreed last Wednesday to a 3.5 per cent pay rise for its 51,000 ground and cabin workers, plus one-off payments of DM440 (€225) each for January and February.

The only significant sign of wage moderation is in the depressed construction industry, where the IG Bau union is concentrating its efforts on protecting jobs and securing better retirement provisions.

Move to synchronise stock market hours in Europe

By Peter John, Nicholas George in Stockholm and Vincent Boland in London

The London and Frankfurt stock exchanges have begun consultations with investors, brokers and listed companies about harmonising their hours as part of their plan to develop a pan-European market for Europe's top 300 companies.

The proposals reflect Europe-wide nervousness that business will be lost if, as expected, the New York Stock Exchange stretches its trading time. Stockholm's exchange, Europe's only publicly quoted national stock market, is also to extend its hours.

A report being drafted by the London Stock Exchange, to be published within the next two weeks, suggests trading in London be brought forward an hour to 8am UK time, while Frankfurt will be delayed half an hour to start at the same time. The report also raises the possibility that the UK minimum order size be increased from the nominal one-share level, and the maximum time orders remain on books be altered from the current 31 days. The changes are expected to take place later this year. The proposal to open an hour earlier in London would reverse the delayed opening started only nine months ago to eliminate rogue prices on Sets, the electronic trading system.

The London Stock Exchange said there were "no practical difficulties" to extending hours if the demand and market liquidity justified the move.

"The key driver for attracting investment is not simply access but being able to provide good levels of liquidity throughout the entire trading period," it said. "Each market must consider over what period it can provide this level of liquidity to attract sufficient investors."

The exchange said reaction had been broadly favourable. David Butler, director at stockbroker Teather & Greenwood, said: "Frankly, 9am is too late. If London wants to stay ahead of the game and remain as the third leg of the international world market [with New York and Tokyo] it has to lead rather than follow."

Stockholm, which trades between 10am and 5pm, plans to open between 9am and 10pm this year. Longer hours will allow Stockholm's 173 members in Sweden and abroad to trade until the New York stockmarket close. It hopes to win a larger share of trading in Swedish blue chips such as Ericsson, the telecommunications equipment maker, much of which takes place in New York. The move is also aimed at winning a greater share of trading in Nokia, the Finnish mobile telecommunications group, from the Helsinki exchange where the company has its main listing.

New York is understood to be considering opening earlier than its 9.30am start to coincide with Europe.

Market alliance, Page 23
Comment, Page 20

CONTENTS

FT.com
FINANCIAL TIMES
Directory of online services via FT Electronic Publishing

Up and away: refugees rushed to board a ship in Ambon, Indonesia, as tensions in the area grew. Regions seek independence, Page 6. Reuters

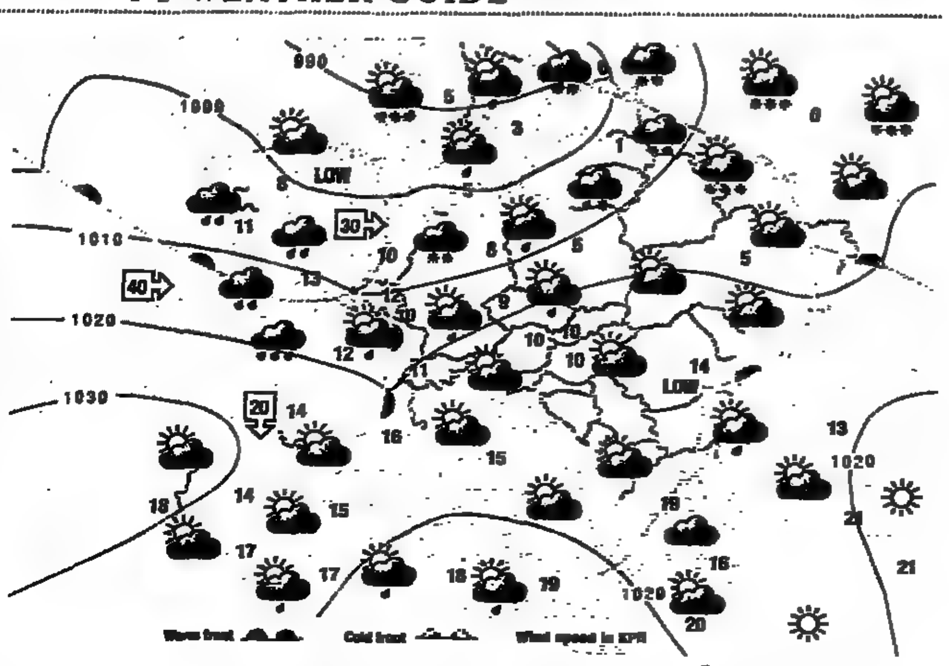
FT WEATHER GUIDE

Europe today

Scandinavia will stay unsettled, with snow showers in Norway and more snow over Finland and northern Sweden. Rain over the Low Countries will spread into Germany. Austria and Switzerland stay mostly dry with few, if any, showers and some sunshine. North and north-western France will be dull with rain at times, but the rest of France should be mostly dry and sunny, with little chance of any further snow in the east. The Mediterranean will be generally sunny although there is a chance of occasional showers over Greece.

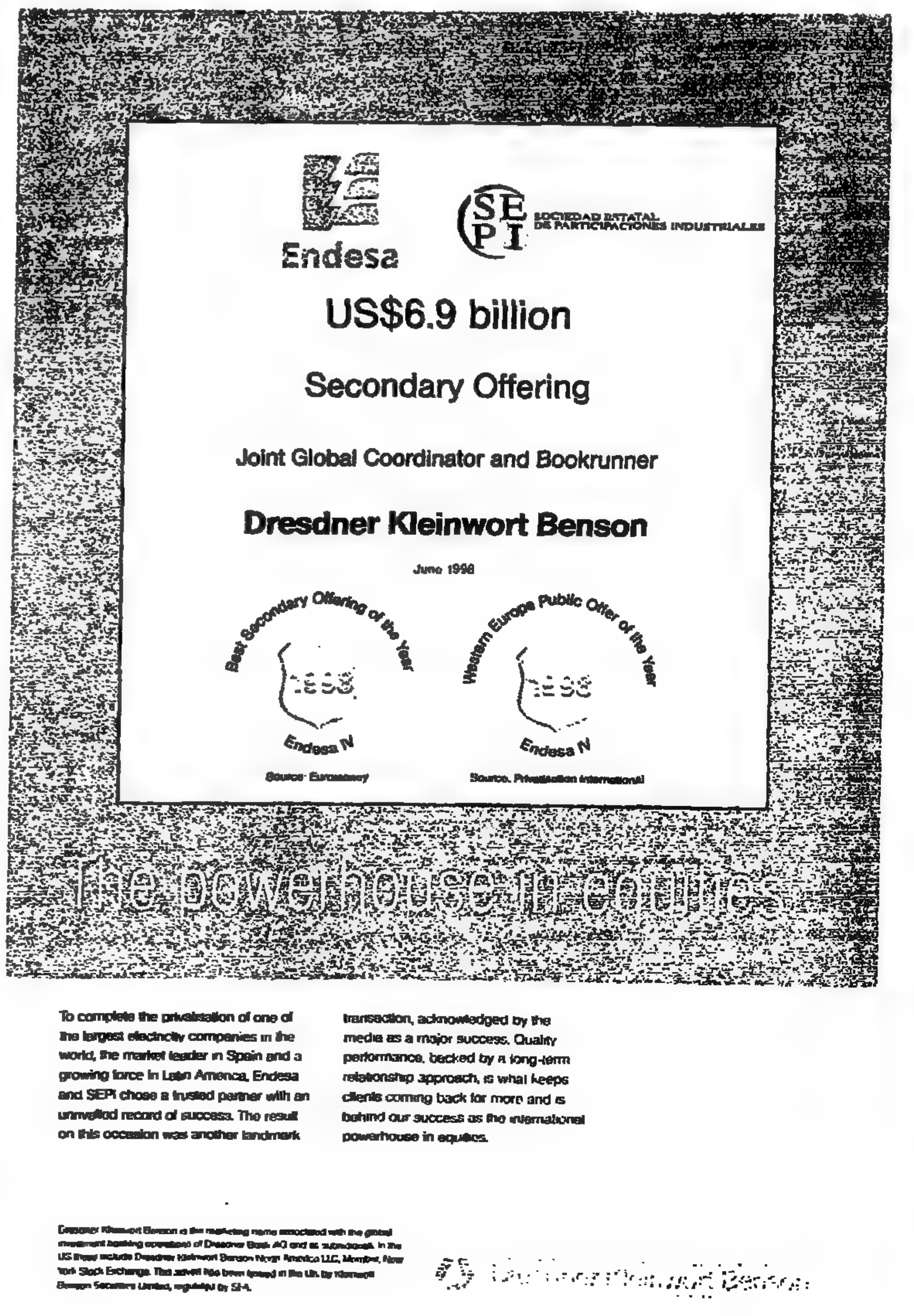
Five-day forecast

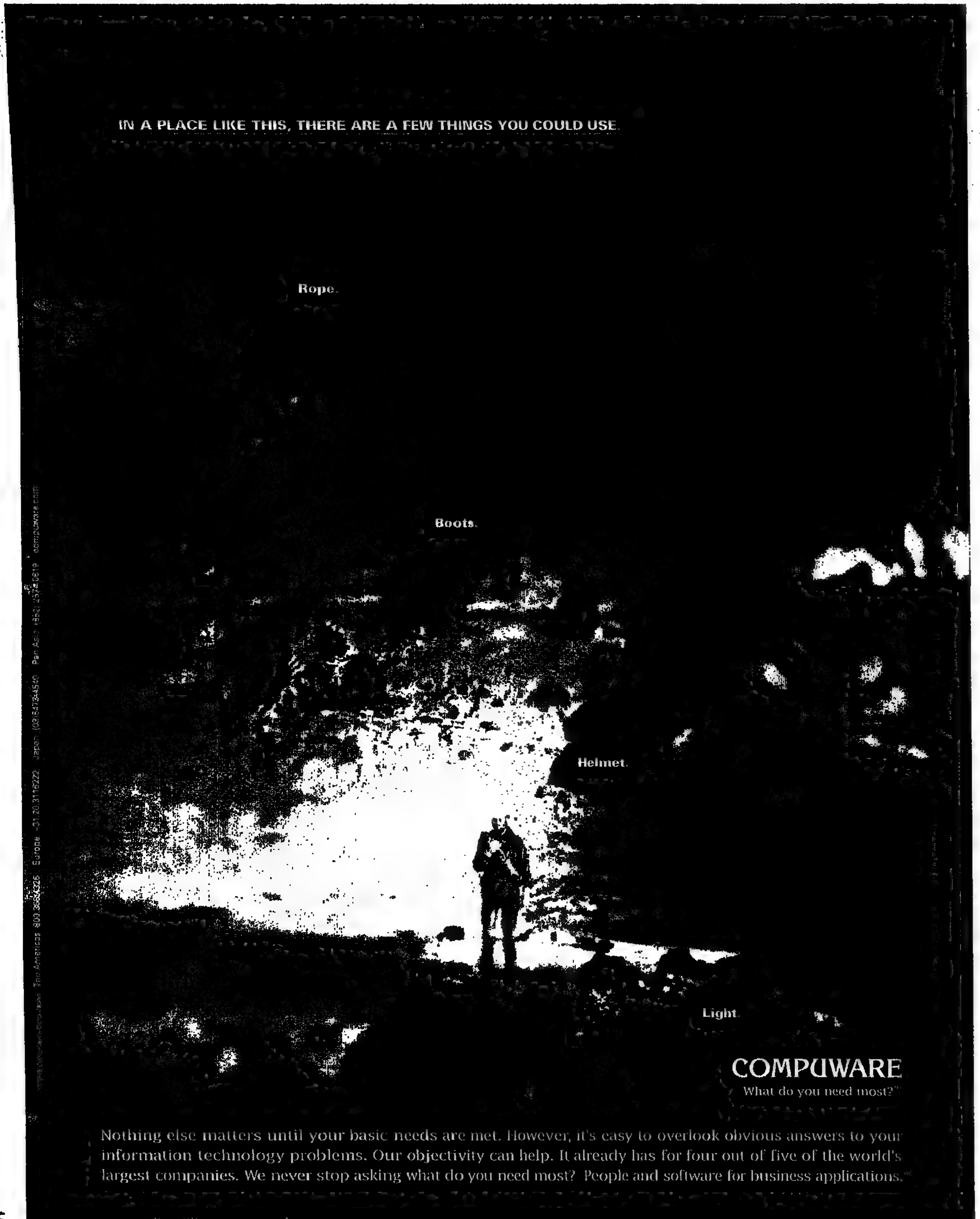
It will stay unsettled in the north, with further snow for much of Scandinavia, and rain at times for northern France, the Low Countries and Germany. By Thursday, there will be further heavy snow over the Alps, with much colder northerlies. The end of the week should be drier.



Situation at midday. Temperatures maximum for day. Forecasts by The WeatherCentre

TODAY'S TEMPERATURES



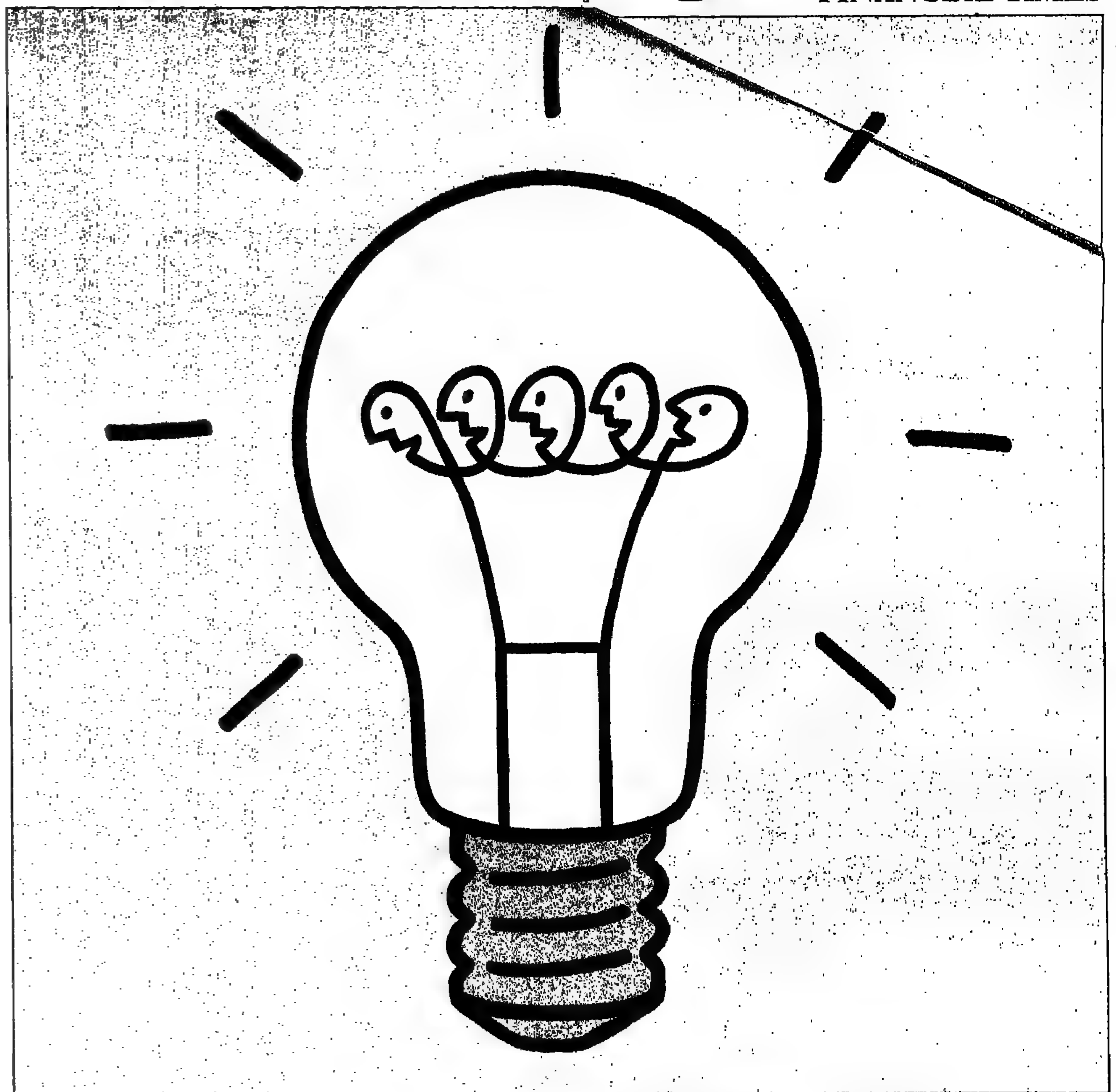


Monday March 1 1999

Mastering
INFORMATION MANAGEMENT

Part Five
New organisational forms

FINANCIAL TIMES



Next week
Knowledge management

In association with COMPUWARE What do you need most?™ | ERNST & YOUNG

for the e-lance economy

Welcome to Mastering
INFORMATION MANAGEMENT

Part 5 of 12

This is the fifth part of a weekly series aimed at helping FT readers master the management of information and of the technology that captures, stores, distributes and processes it inside and outside their organisations.

So far in the series we have looked at the changing information environment and at the issues which arise when companies compete with information, use IT inside their business and try to link activities along the supply chain (for full contents of the series see the latest synopsis on page 15).

This week's main theme is organisational structures and the shape of organisations in the 21st century. The first article on pages 2, 3 and 4 is a speculative, but highly challenging, account of the so called "e-lance economy" by Thomas Malone and Robert Laubacher. Notwithstanding the current wave of big company mergers, the authors argue, large corporations are increasingly likely to fragment into flexible, temporary networks of electronically connected freelancers. Greater wealth, freedom and creativity may well be the result, but disruption and dislocation are among the dangers.

On pages 4 and 6 David Oliver, Johan Roos and Bart Victor deal with a more familiar organisational phenomenon: the blurring of boundaries between industries known as convergence. Using the Swiss banking and insurance sectors as an example they suggest that corporate strategy in converging industries can be usefully understood by examining companies' "intellectual capital profiles".

Achieving an effective global organisation in the age of globalisation remains an elusive goal for many multinational managers. Standardised information systems are one important "enabler" cited by the widely admired ABB but what can one learn from the experience of other companies which have recently embarked on such projects? David Feeny and Geoffrey McMullen (pages 8, 10) share some of the insights gained from a study of seven global companies: success rates, they say, are generally better than in the 1970s and 1980s but massive investment is required and the business benefits need to be clearly defined.

It is always good to be reminded of history and those intoxicated by new organisational forms should note Lynda Applegate's chronicle of past experiments. "Companies that adopted the hybrid designs of the 1960s and 1970s soon learned that the new structures and systems bred conflict, confusion, information overload and costly duplication of ***resources", she writes on page 11. The "networked IT revolution" of the*** **1990s, though, means that companies can now combine the resources of a major player with the adaptability of a start-up.**

Finally, John Henderson and N. Venkatraman sum up a number of issues discussed so far in Mastering Information Management. They remind readers of a fundamental lesson of the series – that IT is no longer merely a "function" which boosts operational efficiency – and set out a framework for capturing its wider organisational value.

As promised in Part One, this week we publish our first reader's letter (page 10) and welcome further correspondence complementing or disputing points made by any of the authors. At the end of the series you will be invited to test your knowledge and skill with a competition Have you Mastered Information Management? Please note that our website, www.ftmastering.com contains summaries of each week's material, plus additional background reading.

*** You can e-mail us at editor.mim@ft.com or write to FT Mastering, 3rd floor, Number One Southwark Bridge, London SE1 9HL; for back copies please e-mail backissues.mim@ft.com or telephone +44 (0) 171 688 6323.**

All change

Thomas W. Malone is the Patrick J. McGrath Professor of Information Systems at the MIT Sloan School of Management. His work focuses on how telecoms and IT can help people work together.

In October 1991, Linus Torvalds, a computer-science student at the University of Helsinki, made available on the internet the kernel of a computer operating system he had written. Called Linux, it was a rudimentary version of the ubiquitous Unix operating system. Torvalds encouraged other programmers to download his software – for free – and to use, test and modify it as they saw fit. A few took him up on the offer. They fixed bugs, tinkered with the original code and added new features, and they too posted their work on the internet.

As the Linux kernel grew, it attracted the attention of more and more programmers, who contributed their own ideas and improvements. The ***Linux community soon encompassed thousands of people around the world,*** **all sharing their work freely with one another. Within three years, this informal group, working without managers and connected mainly through the internet, had turned Linux into one of the best versions of Unix ever created.**

Imagine now how such a software development project would have been organised at a company such as IBM or Microsoft. Decisions and funds would have been filtered through layers of managers. Formal teams would have been established and assigned tasks. There would have been budgets, milestones, deadlines and status meetings – along with the accompanying turf wars, overruns and delays. The project would have cost an enormous amount of money, taken years to complete and quite possibly produced a ***system less valuable to users than Linux.***

For many executives, the development of Linux is easily dismissed as an arcane tale of hackers and cyberspace – a neat Wired magazine kind of story, but one that has little relevance to the serious world of big business. This interpretation, while understandable, is short-sighted. Many respected observers of the high-tech world view the Linux approach to software development – known as "open sourcing" – as a greater threat to Microsoft's hegemony than the US Justice Department's antitrust suit or the AOL–Netscape merger.

What the Linux story really shows is the power of a new technology – in this case, electronic networks – to change fundamentally the way work is done. The Linux community, a temporary, self-managed gathering of individuals ***engaged in a common task, is a model for a new kind of business*** **organisation that could form the basis of a new kind of economy.**

The fundamental unit of this economy is not the corporation but the individual. Tasks are not assigned and controlled through a stable chain of management but rather are carried out autonomously by independent contractors. These electronically connected freelancers – "e-lancers" – join together into fluid, temporary networks to produce and sell goods and services. When the job is done – after a day, a month, a year – the network dissolves and its members become free agents again, circulating through the economy, seeking the next assignment.

Far from being a wild hypothesis, the e-lance economy is, in many ways, already upon us. We see it not only in the development of Linux but in the ***evolution of the internet itself. We see it in the emergence of virtual companies,*** **in the rise of outsourcing and telecommuting, and in the proliferation of freelance and temporary workers. Even within large organisations, we see it in the increasing importance of ad hoc project teams, in the rise of "intrapreneurs", and in the formation of independent business units.**

All these trends point to the devolution of large, permanent corporations into flexible, temporary networks of individuals. No one can yet say exactly how important or widespread this new form of business organisation will become, but judging from current signs, it could conceivably define work in the 21st century, just as the industrial organisation defined it in the 20th. If it does, business and society will be changed forever.

The hollow corporation

A future of temporary networks would seem to run counter to the wave of mergers sweeping the global economy. The headlines of the business press tell the story: "Compaq buys Digital"; "WorldCom buys MCI"; "Citibank merges with Travelers"; "Daimler-Benz acquires Chrysler". Yet when we look beneath the surface of all merger and acquisition activity, we see signs of a counter-phenomenon: the disintegration of the large corporation.

Twenty-five years ago, one in five US workers was employed by a Fortune 500 company. Today, the ratio has dropped to less than one in 10. Large companies are far less vertically integrated than they were in the past and rely more and more on outside suppliers to produce components and provide services. While big companies control ever larger flows of cash, they are exerting less and less direct control over actual business activity. They are, you might say, growing hollow.

Even within large corporations, decisions are increasingly being pushed to lower levels. Workers *are rewarded not for efficiently carrying out orders* but for figuring out what needs to be done and doing it. Many large industrial companies – ABB and BP Amoco are among the most prominent – have broken themselves up into numerous independent units that transact business with one another almost as if they were separate companies.

What underlies this trend? The answers lie in the basic economics of organisations. Business organisations are, in essence, mechanisms for co-ordination. They exist to guide the flow of work, materials, ideas and money, and the form they take is strongly affected by the co-ordination technologies available. When it is cheaper to conduct transactions internally, within the bounds of a corporation, organisations grow larger, but when it is cheaper to conduct them externally, with independent entities in the open market, organisations stay small or shrink.

The co-ordination technologies of the industrial era – the train and the telegraph, the car and the telephone, the mainframe computer and the fax machine – made internal transactions not only possible but advantageous. Companies were able to manage large organisations centrally, which provided them with economies of scale in manufacturing, marketing, distribution and other activities. It made economic sense to control many different functions and businesses directly and to hire the *legions of administrators and supervisors needed to* manage them. Big was good.

But with the introduction of powerful personal computers and broad electronic networks – the co-ordination technologies of the 21st century – the economic equation changes. Because information

GLOSSARY

application: a piece of software designed to meet a specific purpose.
bandwidth: A network's capacity to carry data.
business process re-engineering: An approach to corporate change which emerged in the 1990s; it involves analysing companies' core processes and reassembling them in a more efficient way, without functional divides.
chief information officer (CIO): The senior executive in a company responsible for information management and for delivering IT services.
client/server architecture: A network in which computer processing is distributed among many individual PCs (clients) and a more powerful, central computer (server). Clients can share files and retrieve data stored on the server.
collaborative software: Groupware, such as Lotus Notes or Microsoft Exchange.
computer-aided design (CAD): Refers to any computer-enabled method of design; also called computer-assisted design.
database: A software package for storing data.
data-mining: The process of discovering previously unknown information from the data in data warehouses.
data warehouse: A place – virtual or physical – in which business information is gathered.
e-commerce: business transactions conducted electronically, including over the internet.
enterprise resource planning: An integrated system of operation applications combining logistics, production, distribution, contract and order management, sales forecasting, and financial and HR management.
electronic data interchange (EDI): Transmission of documents via any electronic medium using a set of standard forms, messages and data elements.
e-mail. A system that enables computer users to send messages to one another's machines; ideally it should allow them to attach files and find other users' mail addresses.
extranet: An extended intranet, based on internet-standard protocols, which allows access via the internet by people outside the enterprise.
groupware: Software that facilitates communication, co-ordination and collaboration among people.
hardware: The magnetic, mechanical and electrical components of a computer and its peripheral devices.
hypercompetition: Aggressive form of competition in which companies constantly try to redefine the competences needed for success in a particular market.
internet: *The* global computer network.
intranet: A private network within an organisation, *often protected from internet traffic by a* "firewall" (software that controls access from the outside).
information systems (IS) strategy: The identification and prioritisation of systems of applications for development.
information technology (IT): The hardware and software that is used to process information.
knowledge management (KM): A term with many meanings; it includes deliberate efforts to maximise an organisation's performance through creating, sharing and leveraging knowledge and experience from internal and external sources; see MIM 2 and 6.
legacy system: An old database or other application, probably superseded but still in use.
local area network (Lan): A network of computers in a relatively small geographical area.
Lotus Notes: A proprietary software that allows users to share many different types of unstructured and semi-structured information. Lotus is owned by IBM.
mainframe: The central processing unit of a large computer, usually receiving input from a number of terminals.
marketspace: The "marketplace" in e-commerce.
microprocessors: Complex electronic circuits that comprise a computer's central information processing unit.
minicomputer (or "departmental computer"): A type of computer that appeared in the early 1970s; a stage in the evolution from mainframes to PCs
multimedia: A combination of sound, graphics, animation and video used to display information on a computer.
online: Having a computer and modem, or accessible by someone with such tools.
operating system: A program that marshals the internal operations of the computeritself, allocating memory to work files, for instance.
paradigm shift: Term used to describe a complete re-thinking of the business or economic outlook, caused by a startling intellectual or technological discontinuity.
PC: It once meant "not IBM", then "not Macintosh" – now it refers to any personal computer.
platform: The sum of a computer's operating system, hardware architecture and software. It defines the applications that can be run.
program: A set of definitions and instructions that enable a computer to perform a particular task.
protocol: The language that one computer uses to talk to another.
software: The programs that are run on a computer system.
value chain: Concept widely associated with the management thinker Michael Porter which focuses on a company's internal processes and the interactions between different elements of the organisation. Analysis of it *shows how and where value is added.*
wide area network (Wan): A network of computers over a wide geographical area.
worldwide web: an application which runs on the internet; it provides a standard way of publishing and accessing information.

Editorial team
Executive editor: Tim Dickson
Subeditor: Nevile Hawcock
Design editor: Fiona Hill
Website editor: James Pickford
FT Mastering co-ordinator: Laura Scanga
Graphics: Graham Parrish

Academic advisors
Tom Davenport, Boston University
Donald Marchand, IMD
Back copies: (£3 UK and Ireland; £4 continental Europe; £5 rest of world)
Telephone +44 (0)181 688 6323
or e-mail *backissues.mim@ft.com*

Your guide to Mastering
INFORMATION MANAGEMENT

12 part series

* All issues subject to change

Continued from page 13
personalised hospitality service.

IT's strongest impact on processes is its capacity fundamentally to change business capabilities, leading to the creation of new business models. Encyclopedia Britannica is in the midst of a serious business shift, as it attempts to transfer its dominant position in print media to electronic media. Hallmark Cards is trying to straddle the physical space and the virtual space. New entrants such as E*Trade (*www.etrade.com*) and Ameritrade are challenging traditional stockbrokers. New-style auctioneers (such as *www.ebay.com* and *www.priceline.com*) are challenging the traditional assumptions of supplier–buyer relationships. Amazon.com has rocked book-retailing. Television network NBC is trying to create an entertainment platform that is seamless across network television (NBC), cable (CNBC) and the internet (*www.msnbc.com*).

2. Communities of practice

Value realisation requires an organisational architecture that is able to co-ordinate a community of professionals with complementary expertise.

The second principle for value creation focuses on the need for organisational co-ordination. Value maximisation is not simply a matter of allocating some resources and waiting for results to appear. Nor is it a matter of restructuring the IT organisation with greater decentralisation and autonomy — many companies still find themselves swinging back and forth on the centralisation-decentralisation pendulum.

As IT becomes more important to business operations, the roles and responsibilities of those managing this critical resource should be reconceptualised. Successful companies are designing communities of professional practice that are different from traditional hierarchical and rule-bound organisational structures, which often isolate IT professionals from one another and their business clients.

Consider an organisation that is seeking to implement an enterprise resource planning system (such as SAP or Oracle) for a supply chain or for global new product development. It is unlikely that all the professionals involved will work for the same manager or even the same company (given use of external vendors and consultants). Or consider the development of global transaction processing systems in banks such as ABN-Amro. The teams responsible cut across organisational boundaries and different types of expertise and organise themselves as networks rather than hierarchies.

Companies are developing ways in which experts involved in such tasks can feel part of a larger system bound by shared goals and incentives. The power of networked organisations is high when traditional "command-and-control" is minimised and expertise is shared. We suggest that IT organisations should explore the benefits of creating a professional context that fosters trust, innovation and knowledge sharing – a community of practice.

An example is the "transition alliance" developed inside Xerox for deploying a new global IT infrastructure. This professional community included important IT infrastructure managers across Xerox's many business units. Working together, they were able to provide Xerox with a new, coherent infrastructure in minimal time with significant cost savings. The community became the forum in which project requirements were interpreted and relayed to widely distributed operating groups for implementation. While each member of the community ultimately acted within the context of his or her business unit, the alliance was the foundation for the broad commitment needed to accomplish the project.

A similar strategy is being used by BP Amoco in its efforts to improve its ability to find and drill for oil. Building upon initial experiments with "virtual teams" – experts working together via video conferencing – it has developed a global community of practice. Involving over 250 of BP Amoco's own drilling professionals and more than 500 from partner companies, the community uses internet-based systems to share best practices and lessons learned. It has proved to have significant business value; after all, effective problem-solving in the short term boosts long-term cost-effectiveness.

3. Selective sourcing

Value realisation is enhanced by assembling the required IT capabilities through a portfolio of relationships that is adapted over time.

The third principle for value creation focuses on the need for selective outsourcing of IT through a variety of alliances and partnerships. This complements the communities-of-practice principle.

Given the tremendous growth in IT products and services (estimates suggest over 50,000 new product/service introductions per year), it is unrealistic to expect any company to maintain the required expertise in-house. The principle of selective sourcing stipulates that every organisation should articulate a strategic approach to sourcing and assembling its required capabilities. A rule of thumb is that a company should direct internal expertise to IT-enabled capabilities that differentiate its operations, while allowing partners to see to those capabilities that at best provide competitive parity.

Take the case of J.P. Morgan. In 1996 it set up a consortium, Pinnacle Alliance – in which CSC was the primary partner, but which also included AT&T Solutions, Andersen Consulting and Bell Atlantic – to manage its data centres and voice, data and software services. The company has redirected its internal resources towards the development of complex computer programs needed for securities trading and other financial services.

J.P. Morgan is not unique. ABN-Amro, BP Exploration, Shell, Volvo, General Dynamics, Xerox, DuPont and others are all trying to optimise their IT capabilities through outsourcing. The challenge they face is to avoid thinking of outsourcing as a means of abdicating responsibility for this critical resource. Instead it requires them to orchestrate a portfolio of different types of relationships for different levels and types of capability.

Some relationships are set up simply to get communications networks or data centres up and running. Others are more strategic, in that they drive business differentiation. Although it is preferable to keep differentiating activities in-house, companies may lack the necessary expertise, decide that it is not cost-effective to do so, or want to experiment and reduce the risk by outsourcing.

Bankers' Trust is selectively deploying a "venture capitalist" model to seed the development of technology-based capabilities. Identifying IT-enabled capabilities that might be possible in future and entering into strategic relationships early on is a big challenge.

4. Knowledge infrastructure

The new economy is likely to reward intellectual assets more than physical assets; value realisation requires the creation of a business platform suited to this environment.

There is widespread view that a new type of economy is emerging, in which organisations will be less characterised by their ability to make, store and move physical assets than by their ability to create, share and use knowledge and expertise. Vincent Barabba of General Motors, for example, has described this as a shift from "make-and-sell" to "sense-and-respond". James Wolfensen of The World Bank has proclaimed that his organisation needs to become "the Knowledge Bank".

If such aspirations are to be realised, companies will need to have the right information infrastructures in place. However, current infrastructures – which are designed to support operational efficiency – are proving to be inappropriate. Thus the challenge is to design and deploy infrastructures that will serve as the backbone for the management of intellectual capital. Far beyond static databases for structured numerical data, these will enable virtual work and the sharing of context-rich information. They will link individuals to an array of experiences, documents and lessons learned, blurring the distinction between "doing" and "learning". Companies will be able to mobilise their expertise anywhere in the world and bring it to bear on a specific problem or training opportunity.

While the community-of-practice principle focuses on the importance of expert teams, this one is about leveraging the knowledge contained in the whole organisation. We can see it in practice already, as many organisations develop the knowledge infrastructures that will sustain them well into the next century.

Schlumberger's Information Network (SINet), for example, allows employees rapidly to download updated design tools (and tips for their use), enhancing their ability to solve customers' problems. The network has also been of benefit in training the company's young professionals. The US army has established the Center for Army Lessons Learned to spearhead its efforts to share knowledge. As it increasingly has to undertake "peace-time" operations, it wants to codify and transmit the lessons it is learning. Training increasingly involves multimedia simulations. Sainsbury's, the UK supermarket chain, has an "innovation centre" in which managers can explore new work environments designed to promote innovation through better knowledge sharing and team collaboration.

5. Strategic alignment

Value creation through IT rests on strategic alignment of the four principles discussed above; this is a dynamic process, as the changing business environment drives the evolution of new organisational models.

An overarching principle of value creation is that senior management should be able continually to align business and IT operations. An organisation's leaders should be able to integrate the four principles discussed so far in a way that is unique to the organisation. Otherwise, the four principles taken individually could lead to different approaches to value maximisation or even conflict with each other. Accordingly we have placed it at the centre of Figure 1, above.

Alignment needs to be seen in dynamic terms, as helping to guide the organisation into the information economy as well as guaranteeing efficiency today. Senior managers must ensure that actions guided by the four principles above are constantly adapted in response to a turbulent, intensely competitive environment.

Strategic alignment is made more important by the growing emphasis on managing intellectual capital. Thus there is a shift towards creating knowledge infrastructures that also serve as platforms for superior product/service delivery. IT investments cannot be decoupled and managed independently from other business investments.

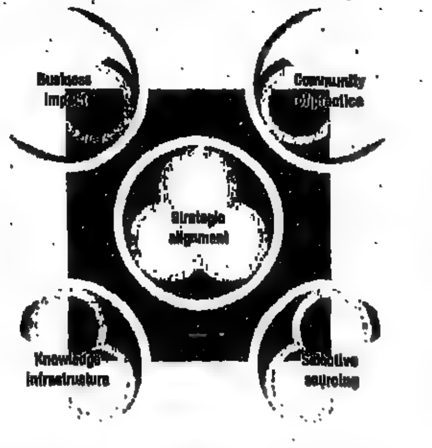
Dell Computer's business model cannot be designed and implemented without IT (business impact principle). At the same time, one of the reasons for its success is its ability to learn about customer preferences and to redefine product/service offerings accordingly (knowledge infrastructure principle). Indeed, the rapid growth of the internet and of electronic commerce creates major opportunities for integrating the four principles.

Not analysis but leadership

Realising the value of IT is not a matter of fine-tuning the IT budget process. Nor does it involve more refined calculations of cost-benefit ratios, or looking for new metrics. Instead it is a matter of leadership, of recognising the new and powerful role of IT — not for greater operational efficiency through re-engineering but for value creation through new business designs. Value realisation is also a question of leading the organisation into the 21st century, where information and knowledge will be much more important drivers of business value than they are now.

Just as obtaining value from globalisation requires more than simply establishing a set of overseas subsidiaries, obtaining value from information means more than just buying powerful applications and systems. We hope that the five principles discussed in this article will generate constructive dialogue. They should allow managers responsible for IT leadership to move discussions of value realisation away from the selection of metrics and towards ways of creating and appropriating business value under uncertain conditions.

Figure 1: Five principles for leveraging IT



John C. Henderson is professor of management information systems and director of the Systems Research Center at Boston University School of Management.

N. Venkatraman is the David J. McGrath Jr Professor of Management at Boston University School of Management and a research principal at the Systems Research Center.

for the e-lance economy

Summary

Despite the wave of big mergers and acquisitions over the past year or two, the days of the big corporation – as we know it – are numbered. While the cash flows that they control are growing, the direct power that they exercise over actual business processes is declining. Because modern communications technology makes decentralised organisations possible, control is being passed down the line to workers or outsourced to external companies.

In fact, say **Thomas Malone** and **Robert Laubacher**, we are moving towards an "e-lance economy", which will be characterised by shifting coalitions of freelancers and small firms. Although this recalls preindustrial economic models, dominated by large numbers of competing microbusinesses, a critical difference is that these small, agile companies will enjoy the information resources traditionally associated with large corporations. The power of e-lancing can be seen in the explosive growth of the internet, which is taking place without any overall management. The role of the manager will change dramatically as companies see the virtue of achieving results by allowing them to emerge rather than by controlling them at all stages.

can be shared instantly and inexpensively among many people in many locations, the value of centralised decision-making and bureaucracy decreases. Individuals can manage themselves, co-ordinating their efforts through electronic links with other independent parties. Small becomes good.

In one sense, the new co-ordination technologies enable us to return to the preindustrial organisational model of small, autonomous businesses – businesses with a workforce of just one or a few – conducting transactions with one another in a market. But there is one crucial difference: electronic networks enable these microbusinesses to tap into the global reservoirs of information, expertise and financing that used to be available only to large companies. The small companies enjoy many of the benefits of the big without sacrificing the leanness, flexibility and creativity of the small.

In the future, as communications technologies advance and networks become more efficient, the shift to e-lancing promises to accelerate. Should this happen, the dominant business organisation of the future may not be a stable, permanent corporation but rather an elastic network that might sometimes exist for no more than a day or two. We will enter the age of the temporary company.

The temporary company

From the 1920s to the 1940s the movie business was controlled by big studios such as MGM and Columbia. They employed actors, directors, writers, photographers, publicists, even projectionists – all the people needed to produce a movie, get it into cinemas and fill the seats. The film industry was a model of big-company, industrial organisation.

By the 1950s, however, the studio system had begun to disintegrate and power gradually shifted from the studio to the individual. Actors, directors and screenwriters became freelancers and made their own choices about which projects to work on. Today, independent producers initiate projects, assemble financing and bring together teams of freelancers to join temporary companies. Once a film is finished, the company that made it goes out of existence, but its members, in time, join together in new combinations to work on new projects.

The shift in the film business from permanent companies to temporary companies shows how entire industries can evolve rapidly from centralised to network structures. Such transformations are by no means limited to the idiosyncratic world of Hollywood. Consider how manufacturers today are pursuing radical outsourcing strategies and letting external agents perform more of their traditional activities.

An extreme example is the fashion accessories company Topsy Tail, which has revenues of $80m but only three employees and never even touches its products through the entire supply chain. It contracts with injection-moulding companies to manufacture its goods; it uses design agencies to create its packaging; and it distributes and sells its products through a network of independent fulfilment houses, distributors and sales representatives.

Another, broader, example is the textile industry in the Prato region of Italy. More than 15,000 small textile firms, averaging fewer than five employees, are active there. These tiny firms operate state-of-the-art factories and warehouses and have developed co-operative ventures in such areas as purchasing, logistics, and research and development, where scale economies can be exploited. Brokers, known as *impannatori*, act as conduits between the firms and textile buyers. The *impannatori* help co-ordinate design and manufacturing by bringing together appropriate groups of businesses to meet the particular needs of a customer. They have even created an electronic market which allows textile production capacity to be traded like a commodity.

Prato, however, is a relatively small and homogeneous region. How would a complex, diverse industry operate under the network model? The answer is: far more easily than one might expect. As a thought experiment, let us take a brief journey forward in time, into the middle of the 21st century, and see how cars, the archetypal industrial product, are being designed.

General Motors, we find, has split into several dozen separate divisions, and these divisions have outsourced most of their traditional activities. They are now small companies concerned mainly with managing their brands and funding the development of new models of car. Numerous independent manufacturers perform fabrication and assembly on a contract basis. Vehicles are planned by freelance engineers and designers, who join together in small, ever shifting coalitions. One coalition may, for example, focus on engineering an electrical system, while another may concentrate on managing the integration of subsystems into complete cars. These design coalitions are autonomous and self-organising, and all depend on a universal, high-speed computer network for communication and transfer of money. A highly developed venture-capital infrastructure monitors and assesses the various teams and finances the most promising.

Such a vision may strike some as far-fetched. But in our research at the Massachusetts Institute of Technology (MIT), we have discussed this scenario with managers and engineers from big car companies. They have not only agreed that it is plausible but also pointed out that the industry is in some ways already moving towards such a structure. Many carmakers have been outsourcing more and more of their basic design work, granting ever greater autonomy to external design agencies.

A shift to an e-lance economy would bring about fundamental changes in virtually every business function, not just product design. Supply chains would become ad hoc structures, assembled to fit the needs of a particular project and disassembled when the project ended. Manufacturing capacity would be bought and sold in open markets. And independent, specialised manufacturing companies would undertake small batch orders for a variety of brokers, design shops and even consumers.

Marketing would be performed in some cases by brokers, in other cases by small companies that would own brands and certify the quality of the merchandise sold under them. In still other cases, the ability of consumers to share information on the internet would render marketing obsolete; consumers would simply "swarm" around the best offerings. Financing would come less from retained earnings and big equity markets and more from venture capitalists and interested individuals. Small investors might trade shares in ad hoc, project-based enterprises via the internet. Business would be transformed. But the greatest changes would be in the function of management itself.

The transformation of management

In the mid-1990s, when the internet was just entering the consciousness of most business executives, the press was full of disaster stories. The internet, the pundits proclaimed, was about to fall apart. Traffic was growing too fast; there were too many sites and too many people online. Demand would outstrip capacity and it was only a matter of months before the entire network crashed or froze.

It never happened. The internet has continued to expand at an astonishing rate. Its capacity has doubled every year since 1988 and today more than 30m people are connected to it. They use it to order books, check the weather in distant cities, trade stocks, send messages and discuss everything from soap operas to particle physics.

So who is responsible for what is arguably the most important business development of the past 50 years? No one. No one is in charge of the internet – it grew out of the combined efforts of all its users, with no central management. When we ask people whether they think the internet could have grown this fast for this long if it had been managed by a single company, most say no. Managing such a massive and unpredictable explosion of capacity

Continued on page 4

This week

COVER ILLUSTRATION
David Webster

Continued from page 3

and creativity would have been beyond the skills of even the most astute and capable executives. The internet *had* to be self-managed.

The internet is the greatest model of a network organisation that has yet emerged, and it reveals a startling truth: in an e-lance economy, the role of the traditional business manager changes dramatically and sometimes disappears completely. The work of the temporary company is co-ordinated by the individuals who compose it, with little or no centralised direction or control. Brokers, venture capitalists and general contractors all play important roles, initiating projects, allocating resources and co-ordinating work, but there need not be any single point of overall supervision. Instead, the results *emerge* from the individual actions and interactions of the different players in the system.

Of course, this kind of co-ordination occurs all the time in a free market and we usually take for granted that it is the most effective way for companies to interact with one another. But what if this kind of decentralised co-ordination were used to organise all the different kinds of activities that today go on *inside* companies?

One of the things that allows a free market to work is the establishment and acceptance of a set of standards – the "rules of the game" – that governs all transactions. Those standards can take many forms, including contracts, systems of ownership, and procedures for resolving disputes.

Similarly, for an e-lance economy to work, whole new classes of agreements, specifications and common architectures will need to evolve. We see this already in the internet, which works because everyone involved with it conforms to certain technical specifications. But standards do not have to take the form of technical specifications. They may also take the form of routine processes, such as those which allow a group of doctors and nurses to collaborate in an operating room. Or they may simply be patterns of behaviour that are accepted as norms – the "culture" of a company or "the way things are done" in an industry.

Thinking about the future

Most of what you have just read is, of course, speculative. The future of business may turn out to be far less – or far more – revolutionary than the one we have sketched here. We are convinced, though, that while the e-lance economy may be a radical concept, it is by no means an impossible or even an implausible one. Most of the necessary building blocks – high-bandwidth networks, data interchange standards, groupware, electronic currency, venture capital micromarkets – are either in place or under development.

What is lagging behind technology is our imagination. Few people are able to conceive of a completely new economy, where much of what they know about business no longer applies. Mitch Resnick, a colleague of ours at MIT, says that most people are locked into a "centralised mindset". When we look up and see a flock of birds flying in formation, we tend to assume that the bird in front is the leader and is determining the organisation of the other birds. In fact, biologists tell us, each bird is simply following a simple set of rules – behavioural standards – from which the organisation emerges. The bird in front is no more important than a bird at the back or a bird in the middle. They are all equally essential to the pattern.

To meet the challenges of the future, it will be essential for us to recognise and to question the biases of our existing mindset. An e-lance economy might well lead to a flowering of wealth, freedom and creativity but it might also lead to disruption and dislocation. Free-agent workers, separated from the communal safety nets of today, may find themselves lonely, alienated and separated into "haves" and "have-nots". To seize the opportunities of this possible golden age of business – and to avoid the potential problems – we need to think as creatively, and as wisely, as we possibly can.

● This article is adapted from the authors' "The dawn of the e-lance economy" (Harvard Business Review 76 (5, September-October), 1998: 144-52).

Robert J. Laubacher is a research associate with the 21st-Century Initiative at the MIT Centre for Co-ordination Science.

Strategies for converging industries

Summary

Boundaries between industries are blurring. This process, known as "convergence", is taking place not only in high-tech industries but also in more traditional sectors, such as banking and insurance; in Switzerland, for example, a new *bancassurance* industry is emerging. There are two types of convergence. "Supply-driven convergence", in which products from one industry enhance the value of products from another industry, occurs when companies strive to shape (or at least conform to) emerging technical standards. "Demand-driven convergence", in which products from different industries come to be seen as interchangeable, happens when companies attempt to provide broader products to increasingly demanding customers. A useful way to understand corporate strategy in converging industries, say **David Oliver, Johan Roos** and **Bart Victor**, is to examine "intellectual capital profiles". These indicate the degree to which businesses focus on customers, internal processes, employees and long-term investments. Generally, companies seek mergers and alliances with companies that have dissimilar (and therefore complementary) intellectual capital when convergence is demand-driven; but when it is supply-driven, "like attracts like".

David Oliver is a research associate at IMD, Switzerland. His research focuses on knowledge-based organisations.

Johan Roos is professor of strategy at IMD. His research interests include the use of intellectual capital to guide strategies.

The financial service industry is in the throes of significant change. To cite just one example, in August 1997 – after three years of joint-venture activities with Swiss Reinsurance – Zurich-based bank Credit Suisse merged with Swiss insurer Winterthur. Just four months later, rivals Union Bank of Switzerland and Swiss Bank Corporation (which had previously formed partnerships with insurance companies Swiss Life and Zurich Insurance respectively), joined forces to create the fifth biggest bank in the world, with a market capitalisation of $60bn. What is going on in the tradition-bound Swiss banking and insurance industries?

The term increasingly used to describe what is happening within banking and insurance (as well as between telecommunications and information technology, road hauliers and railways, and companies in the emerging "multimedia" industry) is "convergence". As traditional boundaries separating these industries fall, it is becoming more and more difficult to predict around which business models companies will eventually settle. For example, will the winning multimedia business model more closely resemble that of the IT, cable TV or film industry? Will companies in the new *bancassurance* industry more closely resemble banks, insurance companies or something completely different?

We *do* know that different kinds of information are going to be necessary to make sound business decisions in converging industries. It makes little sense to try to understand these industries by analysing the "parent" industries in isolation. For example, unlike in stable industries, mergers and acquisitions in converging industries lead to the development of entirely new business systems and value chains. We have to throw away the old merger and acquisition rulebook to capitalise on the very different opportunities found in converging industries.

Just what kinds of information will we need in order to win in converging industries? In this article, we will explore one new source of information – intellectual capital profiles – which we think can help managers do just that. But first we will review what we already know about convergence.

Continued on page 6

Further reading

Greenstein, S. and Khanna, T. (1997) "What does industry convergence mean?" in Yoffie, D. (ed.) *Competing in the Age of Digital Convergence*, Boston, MA: Harvard Business School Press.

Oliver, D. and Roos, J. (1999) *Striking a Balance in Complex Organizations*, Maidenhead: McGraw-Hill.

Roos, J. *et al.* (1997) *Intellectual Capital: Navigating in the New Business Landscape*, London: Macmillan.

Victor, B. and Boynton, A. (1998) *Invented Here: Maximizing Your Organization's Internal Growth and Profitability*, Boston, MA: Harvard Business School Press.

each other and the market. Incentives are aligned because many entrepreneurial companies pay employees with equity, which enables them to share directly in business risks and rewards. As organisations grow, the cost of developing a shared perspective and aligning individual interests increases, as do the risks of misalignment.

In the traditional hierarchies of the industrial era, information moved slowly and inefficiently. Co-ordination costs and risks increased dramatically whenever decisions were made outside the direct control of senior management. As a result, the tendency was to minimise the risks by centralising decision-making, segregating activities and rigidly structuring work. Deep hierarchical chains of command enabled direct monitoring and supervision of work. Segmentation of work and authority, together with direct supervision, ensured that, short of sabotage, no one had the authority – or opportunity – to perform an action that would threaten the entire company. But this consistency and control came at a cost.

As companies grew larger, employee self-interest and compliance replaced commitment, shared understanding and motivation. Real-time information on business and market dynamics was also lost. As the situation reached a crisis during the 1980s and 1990s, many large, traditional companies embarked on radical restructuring. Layers of middle management were removed and operations were simplified. Recognising that decision-making needed to be "close to the action", many companies "empowered" their employees to make decisions on the line.

In doing so, they violated major assumptions of the hierarchy. Authority no longer flowed in a clear, unbroken line from the managing director to the line worker. Bosses were no longer held directly accountable for the decisions and actions of direct reports. And, most importantly, authority was not carefully segmented to ensure that senior management could directly monitor high-risk strategic and operating decisions. The collapse of Barings Bank in the mid-1990s, after a derivatives trader in Singapore, far from the watchful eye of senior management in the UK, lost $1bn, served as a wake-up call for many large companies.

In the information-age organisation the free flow of information throughout the company (and among customers, suppliers and business partners) can reunite the perspective of senior management with the perspective of those who act as "agents" (including those outside company boundaries). Shared incentives (such as team performance bonuses and employee share ownership plans) augment shared authority and help to realign individual, team and organisational interests. This enables large companies to empower entrepreneurial operating teams to make decisions and take actions on behalf of the company.

What keeps these teams from making decisions or taking actions that could harm the company? Recall that, in entrepreneurial companies, the founders are involved in all decisions and actions. Needless to say, senior managers in a big multinational cannot provide this direct supervision. Instead, they need to ensure that early warning systems are in place that monitor high-risk operating activities and decisions.

This requires that senior management identify key strategic risks – which I call "critical failure factors" – and ensure that effective monitoring and risk management systems are in place. Frequently, IT is used to set the control parameters and to monitor high-risk activities. In some cases, direct supervision, limitation of access and segregation of authority are required to manage areas of extreme vulnerability.

Setting appropriate boundaries must be accompanied by active management of the company's value systems. The importance of this was summed up by Wayne Calloway, chief executive of PepsiCo, in speaking about the company's transformation during the 1980s and 1990s. "We've made many changes," he stated. "But, it's all pulled together by integrity. What we mean by integrity is not just honesty; it's openness, trust, sharing rewards and sharing responsibility.

All the auditors in the world can't ensure control when you have 450,000 employees located all over the world and have our [large] spans of control and commitment to decentralisation. I consider management of the integrity systems at PepsiCo to be my most important role. This is not the soft stuff – it's the hard stuff that will determine our future survival."

● This paper is adapted from material published in Applegate, L.M., "In Search of a New Organizational Model: Lessons from the Field", in *Shaping Organization Form: Communication, Connection and Community*, ed. DeSanctis and Fulk, Sage Publishing, 1999.

Five principles for making the most of IT

Summary

IT has gone from being a separate, rather arcane business function to being a central part of competitive strategy. But how can companies maximise its potential to create value? According to **John Henderson** and **N. Venkatraman** they need to adhere to five principles. First, they must understand that IT is far more than just a means of boosting operational efficiency. It can profoundly change the nature of products, services and business processes. Second, successful implementation of IT systems requires the establishment of cross-functional "communities of expertise", for which "command and control" management is inappropriate. Third, as we have seen earlier in this series, the growing complexity of the IT market means that selective outsourcing is essential. Fourth, companies must ensure that their IT infrastructures maximise the knowledge locked within them and focus it where needed. Finally – and most importantly – managers must strive to align these principles with one another and with their corporate strategies in a fast-changing world.

We are in the midst of profound shifts in how corporations are structured, how markets function and who delivers superior value to customers and shareholders. We need to rethink the role of information systems and technology: from merely supporting business operations to being central to core capabilities; and from an internal, operational focus to an external, customer focus.

Jack Welch, chairman of General Electric, put it well in his 1996 letter to shareholders: "Information technology is making the huge transition from the 'function' it was in the 1980s – with its own language, rituals and priesthood — to the indispensable competitive tool, the central nervous system of virtually every operation in the company." Managers across a wide variety of industries and markets now realise that information systems and technologies will be an important driver of strategies and organisations in the 21st century.

However, companies are confounded by the complexities and subtleties involved in leveraging IT resources. How best to extract value from IT is unfortunately not an analytical issue of figuring out the most appropriate value metric. It is a question of creating a new management approach that is suited for the information age, rather than simply overlaying IT on industrial business models.

Realising IT's potential to create value has emerged as a senior leadership issue and cannot be delegated to lower operating management levels. Senior management teams and boards of directors are giving more attention to IT than ever before.

Based on our research and consulting experience with large companies on both sides of the Atlantic, we have distilled a set of five principles for effectively capitalising on the value of IT. These are schematised in Figure 1 on page 14.

1. Business impact

Value realisation lies in the design of new business models that are enabled by IT and in the design of product/service platforms for the information age.

Every company's products and processes will become increasingly information-intensive and linked through communication and data networks. So we cannot and should not look at the value of IT just from an operational efficiency perspective. Some IT resources will be directed at enhancing operational efficiency while others will be directed at creating business differentiation. Product or service features will be fused with underlying information system capabilities and every business process will be anchored in unique information attributes. The executive challenge will be how best to trade off the different ways in which IT can have an impact on the business.

Products

As products become more information-intensive, the power of IT consists in enhancing product/service features. Think of the potential for enhanced service when appliances such as toasters, refrigerators, televisions and copy machines are connected to a (domestic) network. Take the case of the latest Lego product — the MindStorms robot. It is a programmable 8-bit computer housed within a large Lego brick. Its software runs under Windows 95 and the user can program it to perform an endless variety of tasks.

Or consider the OnStar system that General Motors is installing in many of its vehicles. This is an information service, available for a fixed fee, that uses Global Positioning System satellite technology and a hands-free, voice-activated cellular phone to link the driver and vehicle with a call centre. Advisors provide real-time, person-to-person services such as automatic detection of air bag deployment (and alerting of emergency services), stolen vehicle tracking, route finding, remote diagnostics and remote door unlock.

Processes

Business processes are also becoming more information-intensive. Companies can achieve greater supply-chain efficiency through better use of information. Wal-Mart, Dell Computers, National Semiconductor, Gap, Motorola and others are continually improving their operating efficiency through knowledge-intensive logistics. These allow rapid modification of supply-chain processes through real-time processing of information.

Superior customer service is still focused on person-to-person interactions but is considerably enhanced when supported by appropriate information systems. Customer service in British Airways, for example, is supported by its Caress system. Ritz-Carlton uses high-tech systems to support its

Continued on page 14

Continued from page 7

motivation, they are also hampered by their local view of the business.

At upper levels of management – where authority, motivation and perspective enable organisation-wide change – quick response is hampered by the time it takes to recognise that change is needed and the lack of timely, accurate business information needed to understand what must be done. In traditional hierarchies, management cycle times are defined around yearly business planning and budgeting, and quarterly reporting cycles. Senior managers meet annually to set organisation-wide performance targets, which are then segmented into specific divisional and functional operating performance targets. Financial and market performance is reviewed quarterly to determine whether changes are needed. To respond effectively, managers at the top must understand what has happened in the local business environment to cause changes in firm performance. Absent detailed, timely local information from the field, this understanding takes time. Thus, hierarchical control is only effective in relatively stable business environments where change happens slowly and there is sufficient time to respond.

Traditional entrepreneurial organisations enable fast response without loss of control by keeping everyone in the information and decision making loop. Entrepreneurial companies do not depend on structured jobs to ensure coordination of activities, and they don't require formal planning processes and performance reviews to monitor whether the company is achieving its goals. In a traditional entrepreneurial company, *the cycle time of operations and management* is based on daily personal interaction between the founders (who set strategy and allocate resources) and the employees (who execute the strategy). Since both founders and employees are close to the market, they have instant access to information on opportunities and threats; since they are in daily contact with each other, they are able to make decisions and take actions on the spot. This real-time sharing of information and perspective is fundamental to effective entrepreneurial control. As an entrepreneurial company gets larger and more complex, control breaks down and more structured operating and management processes are required.

Now let us similarly consider an information age organisation that must manage both complexity and speed simultaneously (see Figure 3). Like its traditional organisational counterparts, information-age control depends upon a deep understanding of both the local and company-wide business context and the ability to relate decisions and actions to company performance. The information required to achieve such understanding must be readily accessible to everyone, uniting the perspective of senior management with those doing the work.

IT plays a critical role. It can co-ordinate complex, fast-cycle operating processes and, more importantly, give decision-makers access to detailed, real-time information about operations. It can also link this information with real-time performance and market information providing a detailed understanding of business dynamics.

These fast-cycle, information-based control systems resemble the cybernetic control systems that enable fault-tolerant operation of missile guidance systems, air conditioning systems and nuclear reactors. Such systems can run on "autopilot" if the parameters for successful control are known with certainty and programmed in. If conditions veer beyond *these parameters, early warning systems* enable human intervention. In organisations, decisions about how to evaluate and respond to changes often involve more than one unit and more than one organisational level. Communication mechanisms must be in place to enable decision-making teams to engage in timely dialogue to determine what course of action to take.

Once the information is flowing and employees have the motivation, knowledge and opportunity to use it, they can quickly evaluate actions and continually refine both strategy and operations. At this point, organisational control becomes a continuous, information-enabled learning process rather than a static, compliance-based monitoring system.

Empowerment is not anarchy

"Empowerment", "teams" and "collaboration" have become fashionable management concepts in the 1990s. They each describe different facets of organisational authority: the formal and informal structures, co-ordinating mechanisms, decision-making responsibilities, compensation, incentives and sanctions that define the distribution of power and accountability within a company.

In thinking about organisational authority it is helpful to view the company as a network of roles and relationships that unite principals (owners and senior management) and agents (those individuals hired by the principals) in defining and executing strategy. The challenge in designing effective organisational authority systems is to ensure that principals and agents share the same perspective on the business, are motivated to accomplish the same goals, and possess the expertise and information required to make good decisions and take appropriate actions.

In the traditional entrepreneurial organisation, owners and employees work as a team. They share the same information about and perspective on the business because they are in direct contact with

Further reading

Nolan, R., Pollack, A. and Ware, J. (1988) "Creating the 21st-century organisation", in Stage by Stage, Nolan Norton Research Report 8 (4).

Perrow, C. (1992) "Small company networks", in Nohria, N. and Eccles, R. (eds) *Networks and Organisations*, Boston, MA: Harvard Business School Press.

Powell, W. (1990) "Neither market nor hierarchy: network forms of organisation", Research on Organisational Behavior 12: 295-336.

Reich, R. (1991) *The Work of Nations*, New York: Vintage Books.

Rockart, J. and Short, I. (1991) "The networked organisation and the management of interdependence", in *The Corporation of the 1990s*, New York: Oxford University Press.

Figure 2: The IT design challenge parallels the organisation design challenge

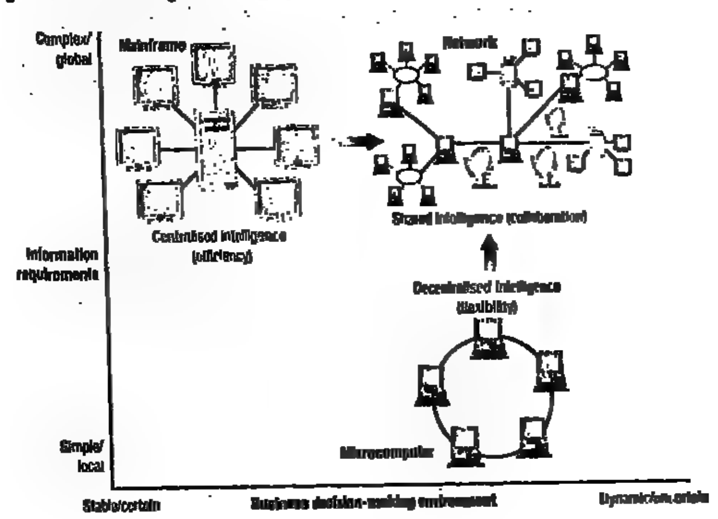
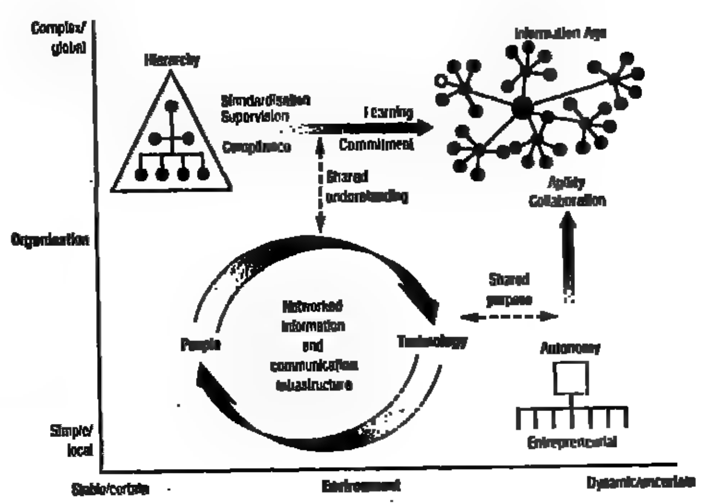


Figure 3: The emerging information age organisation



Conclusion

Managers have made significant efforts during the the past two decades to reorganise to meet the challenges of operating in a more dynamic, hypercompetitive world. But as the decade draws to a close, many are facing the grim possibility that the 21st century will demand even more radical change. As the internet redefines markets, industries and organisations, companies must respond even more quickly, deliver even better products and services, and cut costs even more deeply. Layers of management have been cut and spans of authority increased to the point where many worry that their organisations will spin out of control. The assumptions of traditional organisational models, such as the hierarchy and the entrepreneurial model, have been pushed to the limit.

Crisis is a precondition for the emergence of a new theory or model. But when presented with crisis, most people do not immediately reject existing models. Instead, they attempt incremental adjustments that, over time, begin to blur the fundamental structure and assumptions upon which the old models were based. Practitioners are often the first to lose sight of old models as the familiar rules for solving problems become ineffective. At some point, total reconstruction is required. During the transition, however, there is frequently an overlap between the problems that can be solved by the old and new models. But no matter which is used, there is a decisive difference in the modes of solution.

This appears to be the point at which we now find ourselves. A crisis, largely driven by a fundamental mismatch between environmental demands and organisational capabilities, has called into question many of the assumptions of traditional organisational models. Academic thinking in this area is being led by practice. The lessons from managers in the field suggest that a new organisational model is emerging that harnesses the power of today's technologies in the hands of a more knowledgeable workforce.

The old barriers between the hierarchy and the entrepreneurial organisation are becoming blurred. New structures are evolving that unite the flexibility and speed, motivation and creativity that used to be the hallmark of the entrepreneurial organisation with the efficiency, scale, scope and control of the hierarchy (see Figure 3). Those companies that can make the transition will survive and prosper in the future. Those that cannot adapt will perish.

Continued from page 6

Two types of convergence

Two different forms of convergence appear to be occurring in many industries. The first – which we refer to as "demand-driven convergence" – occurs where customers start to consider products offered by separate industries as interchangeable. For example, in the 1970s mainframe computers and minicomputers each performed separate tasks: mathematical computation and repetitive processes respectively. However, in the mid-1970s, changes in technology meant that these two types of computer started to compete against each other in the emerging market for powerful, large-system computers.

The second form of convergence occurs when products from different industries work better together than they do separately. We call this "supply-driven convergence", and it occurs when each of the components increases the marginal value of the combined whole. For example, the development of video games has increased the value of the computer, film and cable TV industries, and vice versa.

A different rationale lies behind each type of convergence. Demand-driven convergence is often driven by the need to acquire particular resources to provide broader-based products to increasingly demanding clients. These resources might include knowledge, capital or tangible non-financial assets. For example, IBM paid $3.5bn for Lotus in 1995 largely to gain access to its highly successful Lotus Notes groupware, into which IBM was able to bundle some of its existing products (such as image-processing technology). Where demand-driven convergence is occurring, companies with broad scope – operating in many different areas – can creatively bundle diverse products together and win against larger but more narrowly focused competitors.

Supply-driven convergence is often driven by industry dynamics such as "network effects" or attempts to set an industry standard. The more members a network has – that is, the more companies providing technically compatible products – the more valuable it becomes, particularly if you can set the standard. Once a technology "locks in" it is extremely costly for customers to switch, and companies providing "locked-in" products reap major benefits. Many of the alliances now forming are efforts either to be part of the "locked-in" technology or at least to avoid being "locked out". Nobody wants to be stuck with millions of dollars invested in the next Betamax technology.

How are companies trying to win in such industries, in which few signposts exist? Let us look at the world of financial services, in particular, the emerging *bancassurance* industry.

Bancassurance

Our research has focused on a significant convergence that has been taking place on the boundary between banking and insurance – the development of *bancassurance*. There is as yet no English equivalent for this French neologism but this may change before long; as regulations governing banking and insurance change around the world, the boundaries between these two industries can be expected to continue to fall.

Switzerland has recently seen a flurry of activity in the area of *bancassurance*. In 1996, after two years of alliances with Swiss Reinsurance, Credit Suisse – the country's second largest bank – began collaborating with Winterthur, its third-largest insurer; the two companies merged the following year. The resulting Credit Suisse Group had a market capitalisation of over $33bn and briefly became the largest player in Swiss financial services.

It was eclipsed just four months later when the Union Bank of Switzerland and Swiss Bank Corporation, the country's first and third largest banks, announced *their* merger. This put an end to speculation that the two would acquire insurance companies; the speculation had been driven by the fact that UBS had a joint venture with Swiss Life and SBC a cross-selling agreement with Zurich Insurance.

The Swiss banks are trying three different approaches to enter the new, converging *bancassurance* industry: acquisition/merger (Credit Suisse), joint venture (UBS) and cross-selling agreement (SBC). These activities are part of a larger effort to create the industry itself. If the players succeed in doing this, they will be able to dominate the new industry; if they fail, the convergence point in financial services will be found elsewhere. How can these companies avoid being counted among the numerous convergence failures, such as IBM's acquisition of ROLM, Sony's acquisition of Columbia Pictures, or AT&T's acquisition of NCR? Let us see how intellectual capital profiles can help us grasp what is going on.

Bart Victor is professor of organisational behaviour of IMD. His areas of special interest include business transformation and mass customisation.

● The authors are extending their analysis to the US financial services industry. If you have questions or are interested in a dialogue on this topic, just send an e-mail to oliver@imd.ch

Profiling intellectual capital

Organisations have value that does not appear on any balance sheet. When IBM bought Lotus, it paid seven times Lotus's published book value because of its millions of customers, intensive research and development, strong market position and brand name. Measuring these non-financial indicators – or "intellectual capital" (IC) – may give us a better understanding of where companies are investing their money. It can help us glimpse what is going on in organisations behind their financial statements.

Are there any ways to compare IC investment across companies? We believe there is. We can think of companies and entire industries as profiles of different kinds of non-financial capital. Some companies focus a great deal on their customers, some on their internal processes, some on long-term investments, some on their employees and some on how they appear in their financial statements.

Skandia, the Swedish insurance company, has developed a framework for measuring its IC, called the Skandia Business Navigator. It breaks down the company's capital into the following five categories or "focus areas":

1
Financial: value creation on the balance sheet
Financial results such as profitability, growth, operating income and shareholder value

2
Human: value creation by individual employees
Individual competencies and capabilities important in providing solutions to customer problems; includes training and development related to individuals, employee satisfaction and turnover

3
Process: value creation through processes
The efficiency of internal processes, for example, cycle times, productivity, critical technologies, information systems, administrative systems and processing time

4
Customer: value creation through customer relationships
The strength of relationships with existing clients, including market share, customer partnerships, service and customer satisfaction

5 **Renewal and development: value creation through investment in the future.**
Investments made to develop future human and structural capital, such as the ability to innovate and learn, new products launched, and expenditure on long-term competence development.

The human, process, customer, and renewal and development focus areas make up a company's IC. Each area has a range of managerial tools and prescriptions for improving it (such as total quality management to improve processes, total customer service to improve customer relationships and so on). Organisations have to pay at least some attention to all of the focus areas.

We tracked all publicly announced change actions made by organisations in the Swiss banking and insurance industries between 1992 and 1996 and classified each action into one or more of the IC categories depending on which focus area it addressed most closely. We then developed an "IC profile" of each company based on the emphasis they placed on each focus area during the period studied. These profiles – which we call "IC-DNA" – were different for each company. We studied the mergers and alliances that have occurred in the light of the IC-DNA of the companies concerned.

What is happening in *bancassurance*?

Our early results reveal some interesting patterns in the emerging Swiss *bancassurance* industry, as both demand- and supply-driven convergence appears to be taking place. The Credit Suisse-Winterthur merger can be considered an example of demand-driven convergence. The goal of this merger clearly was not cost savings, which were estimated to be a modest $100m (mainly generated through better use of office premises, reduced IT and telecommunications costs, and the ability to develop businesses jointly in high-growth markets). All 500 predicted job losses were to occur through attrition.

The real motivation for the merger appeared to be the two companies' desire to share their customer bases and to be able to offer larger corporate customers new products that they could not offer separately. For example, they could combine the insurance company's employee benefit services with the bank's asset management skills. According to this perspective on convergence, the key success factor for the new company will be its ability to offer products that extend across the former industry boundary between banking and insurance.

The UBS–SBC merger, on the other hand, represents supply-driven convergence. These companies appeared to be following a business model whose objective was to generate economies of scale in core businesses, which would lead to lower costs and ultimately feed major increases in market share. These economies of scale could then be leveraged to gain entry into adjacent markets, including lucrative side businesses such as derivatives trading. Economies of scale are necessary to service each company's huge installed base, which for banks consists largely of branch networks. According to this perspective on convergence, the key to success will be the ability to set a new low-cost "standard" in the new industry through sheer size.

In our study, we looked at whether merger and alliance activity tended to occur between companies with very compatible (similar) or complementary (different) IC profiles. We observed evidence of both patterns. In the merger of Credit Suisse and Winterthur, the two companies had the most different IC-DNA of all the companies in our study. They had concentrated on very different IC focus areas over the five years before their merger. In the case of UBS–SBC, the two companies had the most similar IC-DNA of all.

Each of these two IC patterns appears to be linked to a different convergence perspective. If the Credit Suisse-Winterthur merger was motivated by demand-driven convergence, it makes sense that "opposites attract" with regard to IC-DNA. The case of UBS–SBC seemed to be linked to supply-driven convergence, so it follows that "like attracts like".

What management issues does our study of IC in *bancassurance* bring to light? What happens when you put complementary IC systems together in a converging business environment?

Management implications

Here are two points to consider when taking action in converging industries:

1
When operating in a demand-driven convergence environment, you have to find ways to extend your competences across industry boundaries. This involves forming partnerships with companies that have *complementary* assets (or, as we put it, companies that have IC-DNA patterns very different from yours).

In the Credit Suisse-Winterthur merger, the identities of the two businesses in the merged company have been retained. The merged company even folded Credit Suisse's old life insurance business (Credit Suisse Life) into the Winterthur Life business unit to strengthen the company's insurance arm. The objective should be to capitalise on the merged company's diversity.

2
When operating in an industry characterised by supply-driven convergence, you have to find ways to gain scale in all parts of your value chain (for example, distribution systems). This can most effectively be accomplished by choosing alliance partners that have *compatible* assets (that is, with similar IC-DNA to yours).

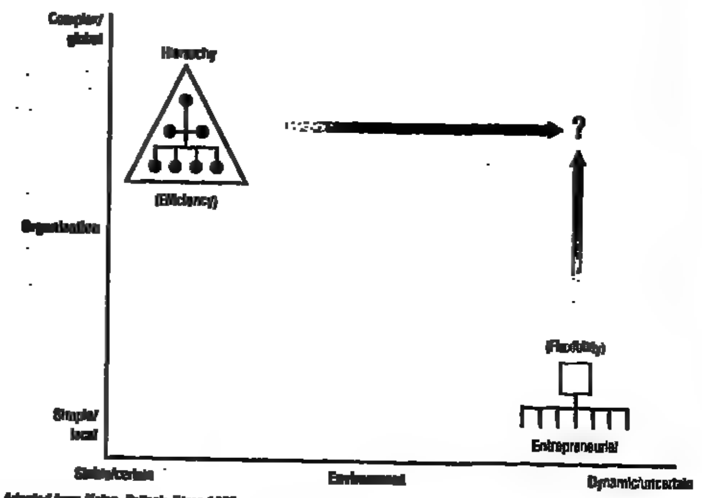
In the UBS–SBC merger, the merger itself proceeded quite quickly, and the two banks immediately moved to adopt a single name (United Bank of Switzerland) and identity. The objective should be to make the merger as fast and painless as possible to to reap the economies of scale quickly.

Time for the big small company

Summary

Managers today are fascinated by new organisational possibilities for their companies. Because speed is increasingly seen as the key to competitive advantage, the dream is to marry the resources and reach of a global player with the adaptability and speed of a start-up. Such ideas are not new; as **Lynda Applegate** points out, companies in the 1960s experimented with new organisational structures such as the matrix which were intended to achieve very similar aims. Unfortunately, the volume and complexity of information flows required by such structures were too great for the information systems of the time, so many companies reverted to more traditional hierarchies. Now, however, advances in IT mean that new models can work. Complex operating processes can be accelerated and information about them – and about company performance in the market – can be fed back in real time to all levels of the organisation; the perspectives of senior managers and employees on the ground can converge. This shared understanding of the business, combined with suitably aligned incentives, makes the "big small" company feasible.

Figure 1: The organisation design challenge



Adapted from Nolan, Pollack, Ware 1988

One of these hybrid designs – the matrix – was originally billed as the "obvious organisational solution" to the need for control and efficiency, while simultaneously enabling flexibility and speed of response. Decades ago, proponents of the matrix argued for an "adaptive, information-intensive, team-based, collaborative, and empowered" organisation – all characteristics of the new 21st-century organisation heralded in the business press.

But companies that adopted the hybrid designs of the 1960s and 1970s soon learned that the new structures and systems bred conflict, confusion, information overload and costly duplication of resources.

Given such problems, we might legitimately ask, "If these hybrid organisations failed in the past, why are we trying this again?" Interestingly, one of the major sources of difficulty with the matrix was the dramatic increase in the need for timely information to manage it successfully. While the hierarchy managed complexity by minimising it, the matrix demanded that managers deal with complexity directly. Product managers had to co-ordinate their plans and operations with functional managers. Country managers had to co-ordinate their activities with headquarters. And senior managers, attempting to reconcile overall organisational performance and plan corporate strategy, were faced with a dizzying array of conflicting information.

In the large, hierarchical companies of the 1960s and 1970s, information moved slowly and channels of communication were limited. The mainframe computer systems of the day were designed to support centralised information processing and hierarchical communication channels (see Figure 2 on page 12). The microcomputer revolution of the 1980s provided tools to decentralise information processing – which helped improve local decision-making – but the technology to support both local and enterprise-wide information sharing and communication was inadequate.

Only recently has IT become capable of meeting this challenge. The "networked IT revolution" of the late 1990s – reflected in the emergence of the internet, electronic commerce and increasingly integrated, powerful and flexible databases and business systems – has made possible information processing and communication infrastructures that match the requirements of companies wishing to operate as if they were both big and small.

Most of the remaining problems are organisational. Although the networked IT infrastructure can provide important *tools*, it cannot define the information that needs to be in the system. It can enable new organisational structures and systems but cannot motivate people to use the information to make decisions and take actions on behalf of the organisation.

Creating the information-age organisation

Managers are caught in a dilemma. The organisational designs for executing their complex strategies depend upon a much more dynamic, networked approach to managing and communicating information; yet effective deployment of a networked information infrastructure means that managers must adopt a more flexible and adaptive organisation design. Over the past 15 years I have worked with hundreds of managers from both large and small companies as they have attempted to build organisations that can prosper in the information age. Analysis of their successes and failures has clarified several important lessons.

Speed counts, but not at the expense of control
Over the past few years it has become very clear that speed counts. New products must be introduced ever more quickly; order fulfilment cycles must be cut dramatically; and managers must create agile organisations that can turn on a sixpence. But the faster one goes – in an organisation as in a car – the harder it is to keep control and to anticipate and respond to changes in one's situation.

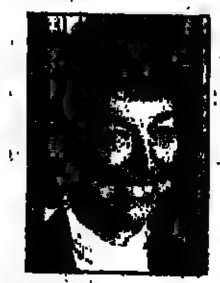
The faster the pace, the greater the need to monitor business operations closely and to have deep understanding of market, industry and business dynamics. But many believe that it is impossible to design a company for both control and agility. Understanding the fundamental principles upon which organisational control is based helps resolve this contradiction.

The control cycle in any organisation is determined by two tightly integrated sets of processes. *Operating processes* are activities that define how a company designs, produces, distributes, markets, sells and supports its products and services; common operating processes include procurement, product design and development, order fulfilment and customer service. *Management processes* are activities through which management defines strategic direction, allocates resources and co-ordinates and controls operations; common management processes include planning and budgeting, operating performance management and human resource management.

To maintain organisational control both operating and management processes must be *integrated* and *synchronised*. Thus efforts to reduce operating cycle times (for example, order fulfilment cycles) must included parallel efforts to reduce management cycle time.

In a traditional hierarchical organisation, operating processes are controlled through standardization of jobs, segmentation of processes into distinct sequential steps, and direct supervision of the people who are carrying out the work. Line employees are expected to perform their work as specified and as efficiently as possible. While they may recognize threats or opportunities in the local business environment, employees and managers close to the action are limited in what they can do to respond. Not only do they lack the necessary authority and

Continued on page 12



Lynda M. Applegate, is the MBA Class of 1952 Distinguished Professor of Business Administration at Harvard Business School. Her research centres on the impact of IT on organisations and industries.

Continued from page 7

● The business is usually best served by delivery of an adequate system sooner rather than of an all-embracing one later; mandating short time scales – "time-boxing" – drives a project culture which reflects the business priority.

In the context of global IS projects, achievement of these success factors is made much more difficult by the intrusion of the factors depicted in the outer rim of Figure 1. Consider the following:

● When new and complex systems are implemented across multiple product businesses (or scores of national subsidiaries) the time required will be measured in years not months. It is therefore unrealistic to assume that a single executive will stay the course as project champion; instead, a succession of champions must be planned. And how many able volunteers will be found to join the project team? Whereas being part of a high-profile, six-month local project can be career enhancing, disappearing to another country for several years is a different prospect.

● Global time differences are a daily problem in addressing such success factors as team-working and managing stakeholders' expectations. While technology such as video-conferencing can help, there is no mutually sociable working hour that links Europe, the US and Australia.

● Global IS projects are usually associated with shifts in organisational power that are more easily embedded in organisational charts than in organisational mindsets and culture. Project governance and championship arrangements may be exhaustively scrutinised for various shades of political correctness. The implementation of data standards, so dear to head office in London, may be obstructed as officious meddling or a costly irrelevance by the Brazilian factory management.

While project management learning has dramatically improved the track record of global IS projects, they continue to demand high levels of management ability, time and attention. They clearly are not to be undertaken lightly.

Software packages

Although package software has little obvious impact on these success factors, it is clear that most global IS projects are based on the available ERP systems. Comments from our research suggested several advantages to this approach:

● It short-circuits potentially lengthy debates about functional requirements; what is required is what is in the package.

● It frees people to focus on the challenges of project implementation rather than programming.

● It emphasises and assists the creation of standard global business processes.

● It assists the achievement of data standards (interestingly, this related more to older centralised software such as SAP R2 rather than distributed software such as SAP R3).

These advantages arguably increase the chances of successful project completion. However, none of the companies in our study claimed that the emergence of ERP systems has reduced project costs (indeed, we find no evidence for this anywhere). Issue number two for managers, therefore, is to understand that, with or without ERP, global IS projects require massive investment.

Business benefits

Issue number three is to establish what business benefits have been and can be achieved through such investments. As projects move towards conclusion in many corporations, this is the issue most under scrutiny at present.

Our research case studies were all self-reported successes but in most of them "success" was not sharply defined. Benefits reported included "integrated information", "year 2000 compliance", specific operational improvements and a general expectation that future software maintenance costs would be lower.

These may be useful benefits but they surely do not match the scale of investment and resources required to achieve them. For most, it seems, the implementation of a common systems base has been something of an act of faith (or "broad strategy"). There may be a belief that it is a necessary enabler of some yet-to-be-defined future method of global management, that benefits will emerge once the new infrastructure is in place, or that the business will be competitively vulnerable without such a capability in place. We question the appropriateness of such a stance.

Two of our case studies were distinctive, and could provide much more definite responses to the business benefit question. Rather than defining their projects in terms of new systems infrastructure, each of these companies had targeted a specific and compelling business requirement (see the "Targeting global IS initiatives" box).

In one case, the chief executive had identified the globalisation of procurement as a critical lever for product cost restructuring; this company's project was therefore defined as providing the means by which the new function could operate. In the other case the company had an even clearer imperative: it had been told that it would lose its biggest customer unless it put in place the capability to serve that customer in a standard way around the world.

With clear business imperatives, it is not surprising that these two companies were more articulate about their achievements. They also completed their (more limited) projects in much less time than the other companies. And there is one final point of difference: neither used package software as the base for its efforts. We would not want to suggest that there is a real causal relationship here. But promoting to all concerned that this is the "Global Customer Project" or the "Global Purchasing Project" – rather than the "SAP Project" – must help to concentrate the mind.

Global information systems and decentralised cultures do not mix. These IS investments need to be components of phased and targeted plans to achieve a more global corporate mindset.

David Feeny is vice president of Templeton College, Oxford, and director of the Oxford Institute of Information Management. His research focuses on the interactions between business strategy, organisational design and IT.

Managers and academics have spent most of the 20th century building and perfecting the hierarchical organisation. If we are to believe the press, however, they are now busily destroying it, proposing in its stead "networked", "process-orientated", "learning", "team-based" or "fast-cycle" organisational models (to name but a few).

While the details of these visions vary, common themes can be found. The 21st-century organisation, it is argued, is flat, fast, flexible and focused on core competences. Inside, empowered teams of knowledge workers re-engineer and continuously improve their processes. Managers – the few who are left, that is – act as "coaches". They get their companies to "think globally and act locally". Some create virtual corporations, managing a vast network of independent businesses that must all work together to deliver products and services to customers.

But take a walk around most large companies and you will find that many vestiges of the traditional hierarchy remain. Standardised jobs, rigid procedures and policies, and a hierarchical chain of command continue to define how much of the work is performed. While many organisations have downsized and delayered, authority and accountability for decisions continues to depend on hierarchical level. And although employees find themselves working in teams and spending a lot of their time at meetings, compensation and incentive systems continue to support individual performance and achievement.

Clearly the hierarchy is not dead. Yet when asked what their companies should look like many managers express strong support for organisational visions of the sort outlined above. The problem confronting these managers, however, is that they cannot sacrifice efficiency for speed. They cannot abandon formal control systems as they empower employees to make decisions addressing real-time customer needs.

Jack Welch, chief executive of General Electric, summed up this dilemma when discussing the challenges that his company faced as it entered the 1990s. In the early 1980s, he wrote, "we saw two challenges ahead of us, one external and one internal. Externally, we faced a world economy that would be characterised by slower growth, with stronger global competitors going after a smaller piece of the pie. Internally, our challenge was even bigger. We had to find a way to combine the power, resources, and reach of a large company with the hunger, agility, spirit, and fire of a small one."

Percy Barnevik, ABB's chief executive, echoed these comments: "ABB is an organisation with three internal contradictions. We want to be global and local, big and small, and radically decentralised with centralised reporting and control. If we resolve those contradictions, we create real organisational advantage."

In the age of the internet, it is not just large, established companies that are coping with these challenges; entrepreneurial start-ups are also struggling with the problems that come from getting very big very quickly. Consider the success – and challenges – experienced by Yahoo!, Amazon.com and E*Trade. These three internet powerhouses grew from nothing in 1995 to global companies with market valuations of \$33bn, \$18bn and \$7bn (respectively) on February 1 1999. While many would argue that the market value is overinflated, no one can argue with the dramatic increase in complexity that these entrepreneurial start-ups face. In fact, a review of the operating expense lines in each of these companies' annual reports provides a glimpse of the infrastructure investments and management expertise that are required to keep up with the rapid pace of growth.

Is history repeating itself?

As timely as it seems, the management dilemma depicted in Figure 1 is not new. Descriptions of "hybrid" organisations designed to enable companies to act "big and small" simultaneously were common in the 1950s and 1960s. Interestingly, they were pioneered by rapidly growing technology start-ups in the aerospace and computer industries.

Reader's letter

Dear Sir

KEEP INFORMATION MANAGEMENT SIMPLE

The good news is that the FT is publishing a series on "Mastering Information Management"; the bad news is that it will take 12 issues to do it. Isn't there a slight contradiction here – 200 pages of information to help executives already confused by groaning in-trays?

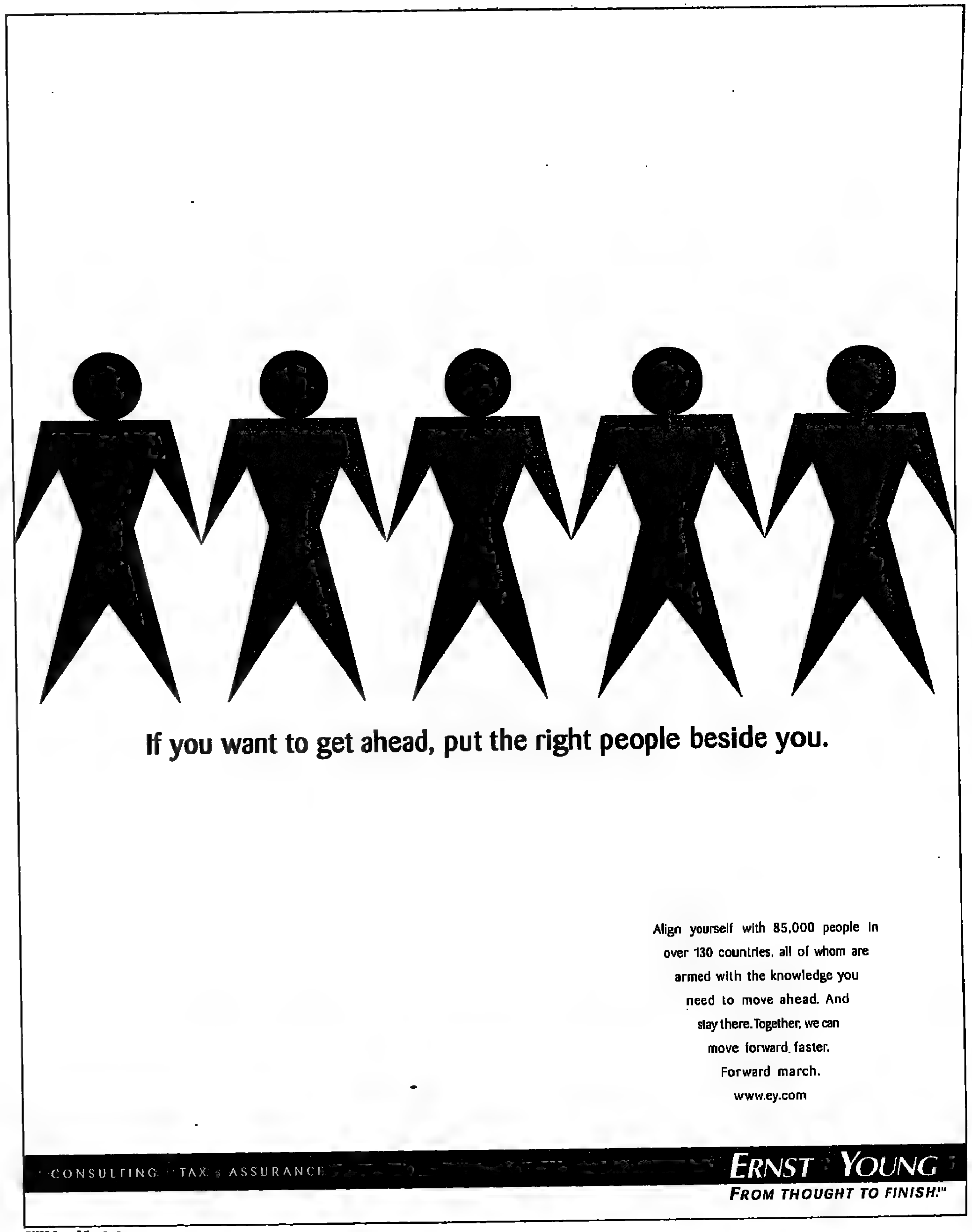
My own experience of dealing with information has provided a fundamental principle: information is needed to make decisions. If information is looked at from the point of view of decision-making, "information users" can start digging themselves out of the pile of largely irrelevant bumf on their desks by asking the question, "What information do I need to make those decisions which enable me to reach my targets?" The answer inevitably gives rise to the "80:20 rule": 80 per cent of the information received is irrelevant and only 20 per cent of the information required is available.

The answer should also highlight the other areas that give rise to the mismanagement of information: timing and accuracy. How much information is demanded "by yesterday" when no decisions are based on it today, tomorrow or ever? How much information, usually produced from a spreadsheet, is quoted with impossible levels of accuracy? How many of us have seen sales figures forecast to the nearest 0.1 per cent – for 2002? With predictive abilities like that the information provider should have won the lottery.

My advice to information users and confused executives would be to clear enough space on their desks for a blank sheet of paper and write on it their targets, the decisions required to meet those targets, and the information needed to make those decisions. If this proves difficult, 12 supplements to the FT aren't going to be much help.

Yours faithfully

David M. Griffiths
West Bridgford, Nottingham



©1999 Ernst & Young LLP

Is standardised global IS worth the bother?

Summary

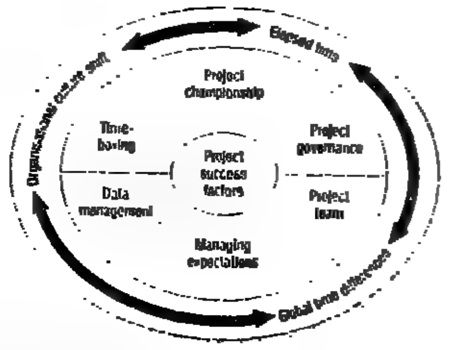
Managers in multinationals have long recognised the desirability of standardised global information systems. But it is only in the 1990s that projects to put such systems in place have had much success. According to **David Feeny** and **Geoffrey McMullen**, this is primarily due to better project management; among other things, companies now recognise the need for senior business managers to support such projects and for stakeholders' involvement and expectations to be carefully managed. The emergence of "enterprise resource planning" systems has also helped managers to focus on implementation instead of debating data standards and common business processes. The authors conclude with a discussion of the business benefits. Strikingly, of seven multinationals that they studied recently, only two – which undertook their global IS projects to support specific strategic objectives – were able to articulate substantive benefits.

For the corporate management of any multinational, the idea of common, standardised information systems (IS) across national subsidiaries and product businesses has long had an intuitive appeal. At the very least, the argument goes, it must be cheaper and simpler to solve the same problem once rather than many times. More importantly, as the world becomes a "global village", the achievement of a consistent and coherent IS platform is seen as imperative. For example, accounts of ABB, which has been widely admired throughout the 1990s, consistently cite its standardised systems base as one enabler of its innovative global organisation.

It is clear that the efforts required to achieve such standardisation are formidable. Virtually all attempts of the 1970s and 1980s – based as they were on in-house development of systems that addressed the combined needs of multiple business units – ran expensively and embarrassingly into the sand.

More recently the picture has brightened, with the emergence of sophisticated "enterprise resource planning" (ERP) software from a number of suppliers. It has become the norm for multinationals to adopt such software as the vehicle for global standardisation across business units, as well as the means of integrating information across functions within units. Projects to deploy global standards are now regularly reported as completed rather than aborted. But the investment required apparently remains large – tens or even hundreds of millions of dollars of external expenditure on software and consultancy. Is this inevitable? And in what terms should we evaluate the prize that may have been won?

Figure 1: Success factors in global IS projects



In pursuit of these questions, we recently studied common IS projects in seven different companies. Six were large corporations – Black & Decker, BOC, Ford, Grand Metropolitan, Shell, Zeneca; the seventh, Thomas Miller, has only a few hundred staff but operates worldwide and is a market leader in its chosen sector of the insurance industry.

In all seven, we studied high-profile projects that involved implementing standard IS support worldwide for one or more major business activities. Five companies had chosen software packages as the systems base, from SAP, J.D. Edwards and MFG Pro. One had decided to take as the standard a system already operating in one of its business units; another had committed itself to developing a new system. All had reached a point at which implementation had been successfully achieved in at least some of the target theatres of operation. Their experiences highlight a number of issues for any manager considering global IS initiatives.

Project success factors

Issue number one is understanding why these projects of the 1990s seem to be so much more successful than their predecessors of the 1970s and 1980s. This is not so much a story of technological advance as one of project management learning.

Six factors are crucial to success in any IS project (see Figure 1). These are predominantly managerial rather than technological in nature and recognise that:

- Most "IS projects" are in fact properly positioned as *business change projects*; they must therefore be visibly championed by senior business line managers who have authority across the domain of change.
- The "project champion" should be part of a wider project governance structure which can ensure the involvement and commitment of all stakeholders affected.
- Project teams need to be multi-disciplinary in nature and staffed by the most able (rather than the most available) people from the business and from the IS function.
- The expectations of all those who will be affected by the project need to be proactively managed to ensure that they understand the nature, extent and timing of change.
- Very few projects are delivered to "green field" sites; most must be designed to connect to a heritage of other systems and processes, and so data definitions and data management across boundaries are essential.

Continued on page 10

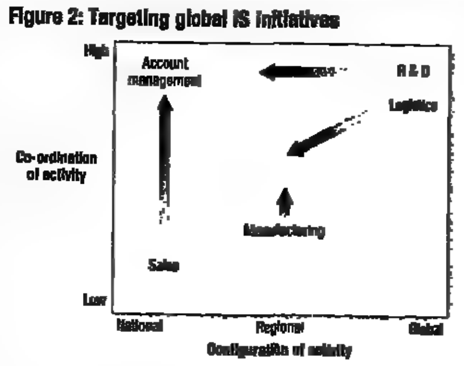
Targeting global IS initiatives

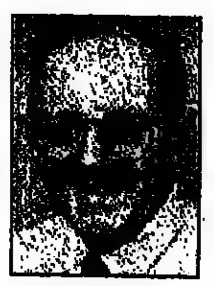
Our evidence suggests that investments in common global IS have most value when they are targeted on specific business ideas within the broader agenda of "globalisation". In earlier research we used Michael Porter's "configuration/co-ordination framework" to facilitate managerial discussion of the most important targets. In the example shown in Figure 2 (of a global electronics business) management concluded that:

- There would be a major business advantage if research and development, which was centralised, could be devolved to create a "close-to-the-market" presence in each region; but close co-ordination across the regions remained imperative to avoid wasteful duplication.
- No value had been added by the centralisation (in the name of globalisation) of the logistics function. It needed to be devolved to the regional level.
- The consolidation of manufacturing from national to regional level had been appropriate. There would be some advantage in increased co-ordination, focused on the transfer of learning.
- While the sales function inevitably had to operate close to the customer, it was becoming essential to establish key account managers to co-ordinate activity with customers who were becoming global.

With these directions clarified, the implications for IS were relatively straightforward – a common computer-aided engineering (CAE) infrastructure for regionalised R&D, groupware-type facilities for account managers, and so on. It was clear to executive management that organisational changes would have to accompany each IS investment.

Figure 2: Targeting global IS initiatives





Geoffrey McMullen, is chief executive of Ukerna and vice-president (professional formation) of the British Computer Society.

Connect the dots.

Problem

85,000 minds

Solution

CONSULTING | TAX | ASSURANCE

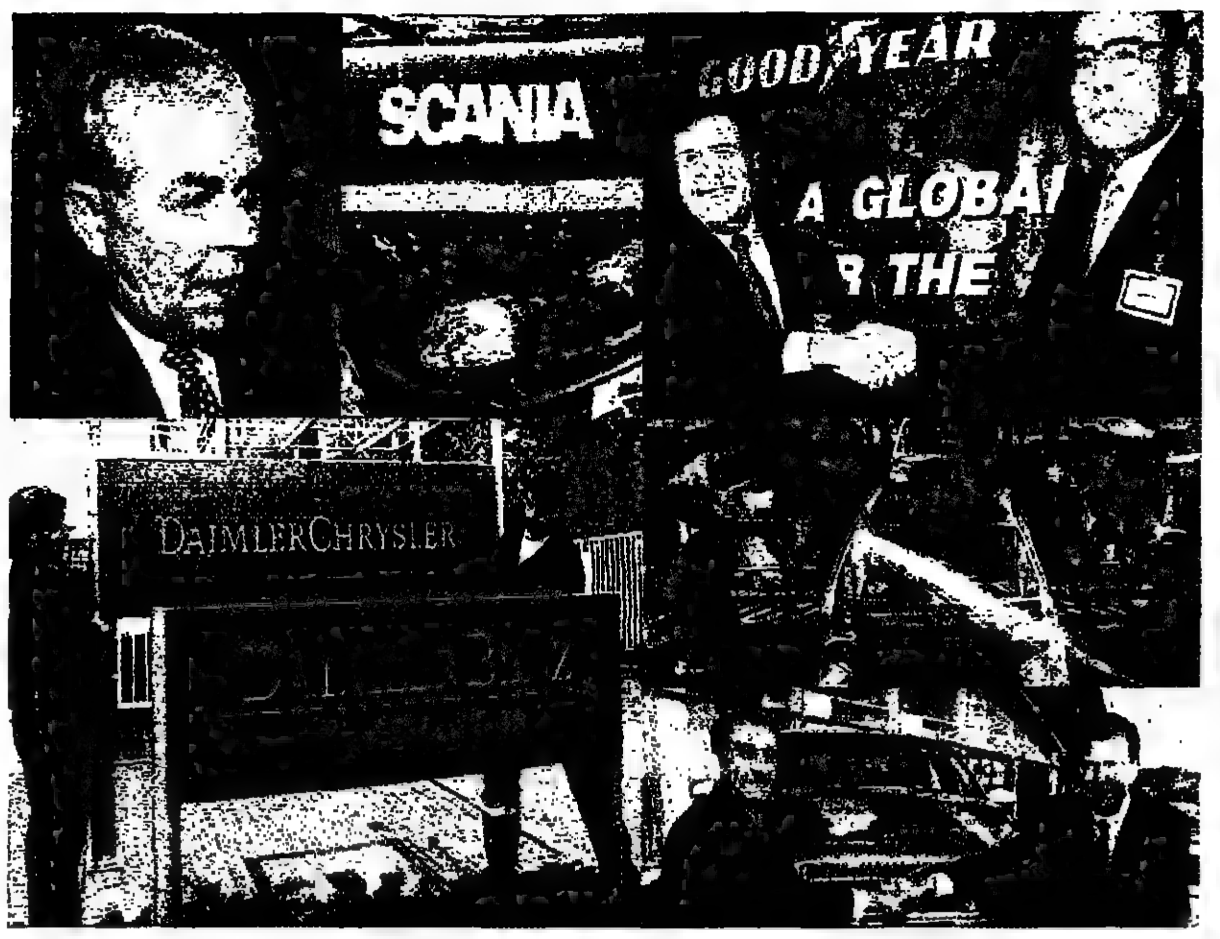
ERNST & YOUNG

FROM THOUGHT TO FINISH.™

©1999 Ernst & Young LLP

Green lights all the way to consolidation

Recent months have seen many upheavals within the industry. But the pace is unlikely to falter, with the focus on Japan, says **Haig Simonian**



Pundits predicting an eventful year for the motor industry could hardly have been more right. But even the most self-confident seer barely hinted at the astonishing events of early 1999. Now, only the bravest dare to expatiate on how matters will end.

Some of the upheavals of recent weeks were broadly predictable. Further consolidation among suppliers was a one-way bet. Expecting the uneasy hierarchy of world tyre makers to fissure as Asian manufacturers felt the pinch was almost as obvious.

Even prophesying more mergers in cars and trucks did not require a Nobel laureate. Bob Eaton, co-chairman of DaimlerChrysler, may really have known something was afoot when, at January's Detroit motor show, he forecast a big deal within 90 days. It was, after all, his group's decision to join forces with Daimler-Benz which prompted the merger mania in the first place. Carlos Ghosn, Renault's redoutable dauphin, referred recently to that transaction as "an electric shock" for other car makers.

Whether prescient or just parlous, Mr Eaton was on the button. But few would have expected the first deal of the year to have been the sale of Volvo Cars to Ford. Subject to approval from Volvo's shareholders this month, that will give Ford an almost unrivalled portfolio of upmarket brands including Lincoln, Jaguar and Aston Martin.

But spending $6.45bn on Volvo may not be Ford's last word. With more than $10bn in the kitty even after the deal, William Clay Ford and Jac Nasser, the group's new chairman and chief executive, still have cash to spare.

What might attract them next has been one of the industry's obsessions in recent weeks. Mr Nasser has dismissed reports of interest in Nissan Motor, the ailing Japanese car and truck maker which has become most observers' next takeover target.

Yoshikazu Hanawa, Nissan's president, no longer hides his interest in welcoming a rich foreign partner. A big cash injection from abroad is the most painless solution to Nissan's chronic debt load and sagging sales.

Emboldened by its successful new products and greater productivity, Renault has already put its name forward. In January, Mr Ghosn said his group could be interested in up to 20 per cent of Nissan if the price were right. Others have been looking, albeit less publicly.

But the most likely buyer is DaimlerChrysler. The group had until recently eschewed suggestions of interest, arguing its hands were full implementing its own merger. Subsequent hints, however, from Mr Eaton and Jürgen Schrempp, his German opposite number, suggest priorities may have changed.

In February, Mr Schrempp said a decision on taking a stake could come within three months. That would raise few eyebrows. DaimlerChrysler has for months been in talks to buy Nissan Motor's 40 per cent of Nissan Diesel, a leading Japanese truck maker.

The failure of those discussions to reach a conclusion has been widely taken to indicate cold feet at DaimlerChrysler. But the more likely answer is that Messrs Eaton and Schrempp have shifted their focus from Nissan Diesel to its parent company.

The fate of the Nissan group – whether just trucks or cars, too – is one example of the wider convulsions rocking commercial vehicles. Shares in the dwindling band of independent truck makers have surged after Volvo said it would use Ford's cash to expand in trucks.

Volvo's gaze has now broadened beyond Scania, its Swedish arch-rival, after takeover talks with Investor, Scania's main shareholder, broke down over price. The collapse may have been a negotiating ploy: Scania's stock rocketed in January after Volvo revealed it had bought 13 per cent in a dawn raid.

Breaking off the negotiations could be a way for Volvo to bring the price down, although the strategy is risky given rumours that Scania has other suitors. Alternatively, Volvo could have other targets. One may be Navistar, the US trucks and engines group, which is still finding its feet in the heavy truck market after a difficult few years.

Mitsubishi Motors could be another object of Volvo's desire. The two companies have an established rapport through NedCar, their Netherlands-based carmaking joint venture. NedCar's future now looks cloudy after Volvo's decision to divest cars. But Volvo's interest in Mitsubishi's trucks operation may have grown proportionally stronger.

The two groups were working together to market each other's vehicles and studying whether to develop a new light truck range. With Mitsubishi weakened – although not as much as Nissan – Volvo may have spotted a good home for its new-found cash.

Large amounts of money have already changed hands in the components industry this year. Delphi's $1.7bn initial public offering got off to a flying start, with shares in the world's biggest parts maker jumping comfortably above their issue price. Analysts worried about the danger of further industrial strife after last year's bitter differences between the General Motors subsidiary and the United Auto Workers union might take comfort: about 20,000 of Delphi's US workers took the opportunity to buy pre-assigned shares – possibly indicating greater harmony ahead.

While the Delphi deal went largely to expectations, there have been no lack of surprises on the supply side.

Robert Bosch, Europe's biggest components group, continued its gradual expansion in Asia by taking control of Zexel, the Japanese maker of fuel injection systems and diesel engines. The deal follows Bosch's discreet purchase last year of controlling stakes in a number of South Korean joint ventures.

A few weeks earlier came the $7bn auction of LucasVarity, the UK-US brakes specialist. After being rebuffed by shareholders on a planned change of domicile to the US, LucasVarity found itself courted by both TRW and Federal-Mogul as potential partners. TRW produced the winning bid, creating a big new force in components with combined 1998 sales of nearly $19bn. Together, the new group will link TRW's expertise in steering and suspension with LucasVarity's know-how in brakes and other components.

But Dick Snell, Federal-Mogul's growth-minded boss, made clear his decision to pull out of the bidding would not stop him targeting other components companies if they fit his fast-expanding group. In spite of building up heavy debts to expand Federal-Mogul through acquisitions, Mr Snell remains much favoured by investors. Few think it will be long before he strikes again.

That pause for thought may give smaller parts companies time to move. Last month, Arvin Industries, the US shock absorbers and exhausts specialist, made its long-awaited attempt to expand into other areas through an agreed $276m bid for the Purolator filters business of Mark IV Industries. Not long before, Borg-Warner Automotive, the Chicago-based transmissions group, announced plans to spend $600m on Kuhlman, a turbocharger specialist.

Not to be outdone, the world's tyre makers have also been busy this year. Goodyear's Samir Gibara started the ball rolling by striking a broad alliance with Japan's Sumitomo Rubber Industries. Widely seen as a takeover via the back door, the complex transaction will create a series of joint ventures in which the US group will clearly have the upper hand.

Barely was the ink on that deal dry than Pirelli and Cooper Tire announced their own link. The two denied the alliance, which creates joint marketing structures in the US and South America, was a reaction to Goodyear-Sumitomo.

But for many observers, it was the first of what will probably be a string of transactions as smaller tyre makers react to growing domination by their larger counterparts as part of the broader motor industry consolidation which shows no sign of abating.

In this edition

COMPONENTS: EUROPE by John Griffiths

M&A, overcapacity to take their heavy toll

For the successful groups there could be large rewards in exchange for heavy capital investment and technical resources

The creation of DaimlerChrysler, Ford's takeover of Volvo car operations, and other mergers among car makers waiting in the wings have dispelled any hopes among automotive component suppliers of a pause in the relentless process of consolidation in their own sector.

To an extent few in the industry thought likely five years ago, the number of vehicle makers, both car and truck, is reducing to the point where it no longer seems inconceivable that the world industry will comprise just eight or nine main players within the next decade or two.

Europe, with current overcapacity estimated by PricewaterhouseCoopers at 6.7m units – or more than 20 per cent – and still too many national manufacturers, is expected to take the brunt of rationalisation in the next big economic downturn.

Fewer car makers in itself means fewer core components suppliers. But the adoption by big car makers such as Volkswagen of 'platform' strategies – building a variety of vehicles from one basic set of engineered components – also means fewer, but bigger, contracts for the suppliers with the resources and global reach to handle them.

DaimlerChrysler, just a few months into its existence, is reviewing its entire components supply chain in Europe and North America. Suppliers to the previously separate groups will be expected to work together in pursuit of further efficiencies and cost savings – in particular through increased volumes and stronger suppliers taking over weaker ones in specific component categories.

Five years into its ownership of Rover Group of the UK, BMW is finally rationalising components purchasing for both groups. That £1bn of Rover's £4.5bn expenditure on components is now heading outside the UK illustrates how big an impact changes at the vehicle manufacturer level can have on the components sector. It will not be many months before Ford's takeover of Volvo starts to impact on the Swedish car maker's components sourcing.

For the successful components groups, the rewards are potentially great. Big suppliers stand to gain from their heavy investment in developing the increasingly complex component modules which vehicle makers are demanding, such as complete front-end assemblies made up of bumpers, headlights and other integrated components.

Demand for front-end modules in particular is forecast to double over the next five years or so as car makers move to outsource more of the total vehicle and increasingly limit their own role to assembly.

According to Hella of Germany, one of the leaders in the sector, demand for independently-produced front ends will reach more than 2.5m units a year by the end of the decade.

That there has been little let-up in the pace of concentration throughout the automotive sector is evident in the volume of merger and acquisition deals tracked over the past year by PricewaterhouseCoopers in its latest annual study of the sector.

There were 173 such deals within Europe, with a disclosed value of $8.5bn, although this includes activity in areas such as the aftermarket and retailing. There were 42 involving US companies merging with or taking over European groups, with a disclosed value of $5.3bn. The $43.4bn of deals involving European takeover or merger with US groups, however, is mainly accounted for by the Daimler-Benz/Chrysler alliance. Hundreds more deals embraced the Asia-Pacific, Latin American and other emerging regions.

The European components industry continued to feel the effects of North American expansion. Notable among acquisitions were Federal Mogul's acquisition of T&N of the UK for $2.25bn and North American engines group Caterpillar's $1.3bn purchase from LucasVarity of its Perkins diesel engines business. Only last month Meritor Automotive, the US automotive group formerly known as Rockwell, acquired LucasVarity's heavy vehicle braking systems division for $390m.

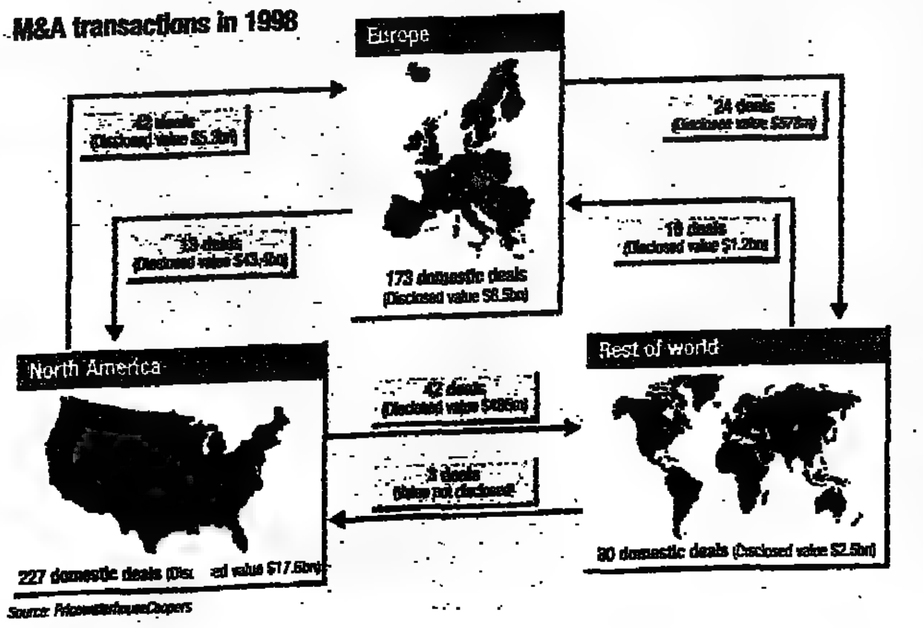
The traffic, however, was not all one way between Europe and North America: ITT of the US sold its electrical systems activities to Valeo of France for $1.7bn, and its braking systems and chassis engineering activities to Continental, the diversifying German tyres group, for $1.9bn. United Technologies, the US conglomerate, has also put its automotive components business, United Technologies Automotive, up for sale and is likely to attract interest from European as well as other US components groups. It makes a range of products from system motors to braking systems.

Within Europe itself, recent deals have included the incorporation of seat maker Bertrand Faure into Peugeot's components arm, ECIA, for $1.2bn.

In mid-February, one of the biggest North America-European deals finally went through after a lengthy bid battle between TRW of the US and arch-rival Federal Mogul. UK-based LucasVarity agreed to a 228p-per-share offer from TRW of the US valuing LucasVarity at $7bn.

● Regional reports, Pages 2-3

M&A transactions in 1998



Source: PricewaterhouseCoopers

When We Talk About European Manufacturing, We Mean It

When people talk about the opportunities of the European single market, we on Madeira know what they mean. Because here, there is an international business centre that is helping companies meet the very special needs of doing business in Europe. That's right, Europe. Madeira is a region of Portugal with full membership of the European Union (EU).

We understand that paying close attention to efficiency in production and costs is key to success. That's why we created a unique European industrial free trade zone (IFTZ).

Madeira's IFTZ offers manufacturers exemption from tax on profits, dividends and capital gains until 2011. There is EU regulated exemption from import duties if EU origin rules are met. Operation and labour costs are competitive and our communications infrastructure is world class. And there's more.

If you are interested in European-based production, come and talk with us. When we say that the advantages of Madeira's IFTZ can advance your success in Europe, we mean today.

Madeira
Europe's Perfect Platform For Global Business

SDM
Madeira Development Company
Rua da Mourara, No. 9-1
P.O. Box 4164
9052 Funchal Codex Madeira Portugal
Tel: (351-91) 20.13.33 Fax: (351-91) 20.13.99

For information on Madeira and how we can help your business, write or fax us at our address.
You can find us on the Internet at http://www.sdm.pt/ E-mail sdm@sdm.pt

NORTH AMERICA by Nikki Tait in Chicago

Consolidation appears set to continue

Auto units belonging to United Technologies and Allied Signal are among the names expected to be involved in multi-million-dollar deals during this year

Consolidation has been the overriding trend in the US automotive parts industry for several years – and all the indications are that this is likely to remain the case for some time yet.

Amongst the larger deals completed in 1998, for example, Toledo-based Dana Corporation emerged as a "white knight" bidder for Echlin, in a $3.5bn deal; ITT Industries sold off its electrical systems business to France's Valéo for $1.7bn, and its brakes business to Germany's Continental for $1.8bn.

Detroit's Federal-Mogul added the automotive division of Cooper Industries (on top of earlier purchases of Britain's T&N and Chicago-based Fel-Pro) for $1.9bn; and Borg-Warner in Chicago acquired Kuhlman for $660m, primarily for its turbocharger business.

The early weeks of 1998 have been just as lively. A bid battle loomed for Britain's LucasVarity, as both Federal-Mogul and Cleveland's TRW eyed up acquisition possibilities. In the end TRW emerged victorious – without Federal-Mogul putting up a full-blown fight – and acquired the British group for about $7bn.

Other assets either remain on the market or could be earmarked for sale later this year, including United Technologies' automotive business, and a division of Allied-Signal. UT, for example, confirmed recently that it had received the first bids for the unit and could close a deal by the summer. Analysts have suggested that it might fetch a figure in the $2bn to $3bn range.

Meanwhile, players such as Federal-Mogul's Dick Snell and Meritor's Larry Yost have made clear they remain open to acquisition opportunities – although the latter company, which was spun off from Rockwell and recently bought LucasVarity's heavy vehicle braking systems unit for £235m, has suggested that it would like a "digestion" period first.

But, within this broad trend, both analysts and industry players think there are nuances developing. Much of the initial consolidation was driven by changes instigated by the original equipment manufacturers (OEMs). As car and truck makers sought to simplify their supply arrangements and squeeze out costs, they became anxious to deal with a smaller number of companies on a broader, international basis.

Accordingly, many of the larger "tier one" suppliers – or companies which aspired to be in this class – sought to broaden their product offerings and establish networks outside their home country.

But, increasingly, many OEMs would like to outsource not just the supply of components but whole "modules" – where suppliers have already assembled dozens of parts into basic units, such as dashboards. The automaker then bolts together a simplified number of parts. "Now customers are looking for more than just global supply of components. They're looking for modularity," says Joseph Magliochetti, Dana Corporation's newly- promoted chief executive.

That, he suggests, is already changing the nature of the consolidation – and may, in some cases, lead to more in the way of co-operative ventures and allied manufacturing arrangements, rather than all-out acquisitions.

Other observers think that some of the activity by "tier one" suppliers will ease off, not least because of the sheer number of deals done recently, and the need to digest and reorganise recently acquired assets. But that, in turn, could simply mean that the spotlight focuses elsewhere.

"Some companies are bumping up against what is practical to put together, and still sorting out what they've bought," says Tom Evans, head of Tenneco Automotive. But, he adds, there could be more activity to come in secondary areas such as heating and ventilating products and emmission controls, and also amongst some of the sub-suppliers, who sell materials and the like to the bigger players.

The question of how tolerant the OEMs will be of this process is a moot point. While they were initially anxious to see suppliers consolidate and simplify their buying arrangements, many parts companies think that the pace of change may have taken the big car and truck makers by surprise. Even companies which have led the move to more "co-operative" supply relationships – such as Chrysler – are still said to do a fair amount of "shadow engineering" to ensure that "power shift" is not too extensive.

Finally, there is the question of what impact the spin-off of GM's parts business, Delphi Automotive, and a possible similar separation of Ford's Visteon unit may have. The GM divestiture is already under way, with a minority stake floated on the stock market and a full spin-off set for later this year. Timing *vis-à-vis* the Ford unit is less clear, but such action seems unlikely to occur before 2000.

Either way, rival suppliers are watching closely to see whether such moves open up supply opportunities, or create new effective competitors. The Delphi situation is viewed by many as particularly interesting, as GM attempts to juggle its need for cost-efficiencies with a simultaneous desire for more harmonious labour relations.

"This industry has changed *more in the past five years than* in the previous 20," says Mr Evans. "And I think it'll change one more time in the next five years."

PROFILE
DELPHI

Spin-off may provide more opportunities in supplies

In a process which went without any major hitch and was generally applauded by analysts, Delphi Automotive Systems, the world's largest auto parts maker and now one of the biggest US companies, made its stock market debut last month.

A minority stake in the Michigan-based group was sold to investors, by way of an initial public offering at the beginning of February.

The 100m shares, around 17.7 per cent of the entire equity, were priced at $17, at the upper end of the range originally indicated.

This raised approximately $1.7bn, money which will be used for general corporate purposes. General Motors, Delphi's parent, will distribute the remaining 465m shares to holders of GM stock later this year – at which point its parts-making arm will officially be a separate company.

Delphi is by no means the first business spun off by GM.

In recent years streamlining efforts at the world's largest automaker have led to the divestiture of the likes of Detroit Diesel and Electronic Data Systems. A month ago, American Axle, a much smaller collection of former GM parts plants, also made its debut on the stock market – although with less initial success.

But, by most measures, Delphi is a significantly larger divestiture than any of the previous sales or spin-offs.

Its annual revenues are over $28bn, more than twice the size of Goodyear Tire, for example, and almost double those of Bill Gates' Microsoft. It employs around 207,000 people worldwide.

A good portion of its operations are also spread globally. Nearly 60 per cent of its employees and about 30 per cent of its manufacturing facilities are outside North America. About 28 per cent of 1997 sales came from products manufactured overseas.

Products, too, are spread from chassis and steering-based equipment, through to a substantial business in the growth area of automotive electronics, audio and communications.

Most analysts think the Delphi spin-off will be good for GM. A high degree of vertical integration has been cited as one factor holding back margins at the carmaker.

The ability to introduce even more competition into supply arrangements over time should also help to improve returns. In addition, working capital at GM is expected to increase significantly – by about $2.7bn – once the spin-off is complete.

In pressing ahead with the reorganisation, its formerly-splintered parts operations has become a cohesive and profitable business. GM has also been ahead of its big Detroit-based competitor, Ford, which has moved to split out its components interests as a separate operating unit under the Visteon name.

Both competitors and analysts agree that Visteon lags Delphi in establishing an operating strategy, independent of its existing parent. The expectation is that Visteon, too, will eventually be spun off, but probably not this year.

If the separation is good for GM, Delphi, too, has been stressing the advantages. It has argued that the ability to grow non-GM business will be *"significantly enhanced"* once it is fully independent.

"Other vehicle manufacturers have been, to varying degrees, reluctant to purchase components extensively from a supplier owned by GM . . . we believe this is attributable in part to concerns that the related profits would strengthen GM and that GM might obtain access through Delphi to confidential information regarding the other vehicle manufacturers' vehicle designs and manufacturing processes," Delphi commented in the course of the IPO.

Nevertheless, building up non-GM business will be one of the big tests *over the next few years. Since 1993,* this has increased relatively modestly, from about 13.3 per cent to 18.3 per cent in 1997.

Improving margins will be another. Last year, after-tax income fell to $389m from over $1.3bn in the previous year, even before the impact of charges and the debilitating work stoppages over the summer, with the net income margin standing at just over 3 per cent.

According to J. T. Battenberg, Delphi's chief executive, the current objective is to increase this by about half a percentage point each year for the next four years. This would then raise the margin to about 5 per cent by 2002.

Finally, there are the labour issues. Delphi has had difficult relations with its unions in the past, including the United Auto Workers, which represents the largest single group of employees. The UAW has been publicly opposed to the spin-off, and labour disputes have cost Delphi more than $900m over the past two years. National contract talks also loom later this year.

Nikki Tait

Fact-finding: J. T. Battenberg (right) and Jack Smith, GM chairman, look at wire harnesses made at the Delphi Packard Electric plant in Brookhaven during an annual tour of subsidiaries AP

JAPAN by Alexandra Harney in Tokyo

Close links a barrier for predators

Dwindling demand and excess capacity serve up some tempting rick pickings

When Goodyear and Sumitomo Rubber formed a strategic alliance to create the world's largest tyre company last month, the first question on investors' minds was: "Who next?"

The deal underlined the growing sentiment among US and European car manufacturers that the Japanese components sector is ripe for the picking. Dwindling demand for cars has squeezed parts manufacturers, leaving the industry with shrinking revenues and a lot of excess capacity.

There is little doubt that Japan's car components sector is heading for consolidation. But what is much less clear is how foreign companies will negotiate the substantial obstacles to doing business – namely, the highly competitive and closely-guarded relationships between Japanese automakers and their loyal suppliers.

The irony is that these mutually-supportive ties were the driving force behind growth in the industry's Y7.700bn annual revenues until recently.

Starting in the 1950s, several Japanese carmakers invested in a group of small, local manufacturers through direct equity investments and loan guarantees. Toyota, Nissan, and Honda each developed a circle of suppliers which provided more than 70 per cent of parts on a just-in-time basis.

The collapse in car demand in Japan and Asia since 1997 has revealed the inherent structural inefficiencies in this system, however. The 12.6 per cent decline in car sales – from 6.73m units to 5.88m in 1998 alone – has forced a sharp contraction in earnings at parts makers which depend heavily on carmakers' domestic production. Calsonic, an air conditioner, radiator, and muffler manufacturer owned 33.3 per cent by Nissan, recorded a 67 per cent decline in profits, from Y1.3bn to Y424m, on turnover of Y75.92bn in the last financial year.

Yet, just as the downturn in car demand has widened the divide between strong and weak automakers, a gap has emerged between the components manufacturers as well.

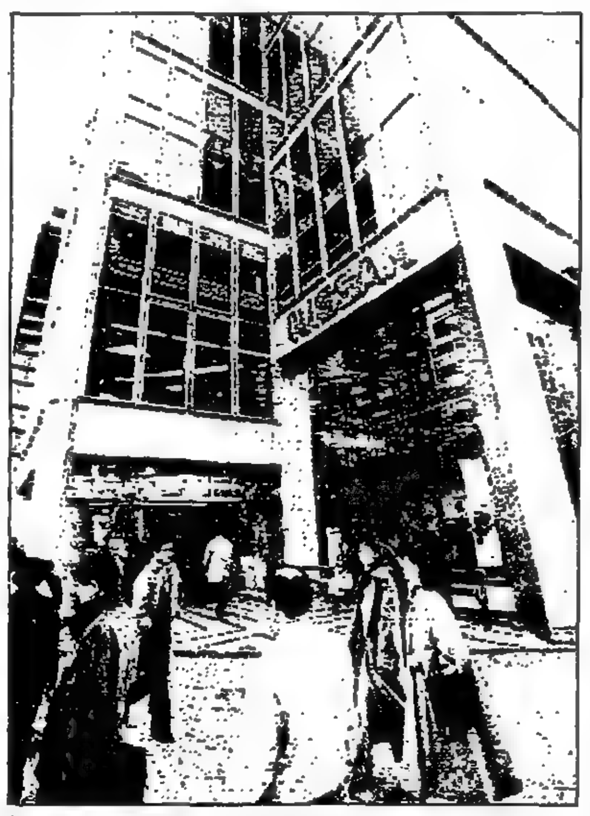
Denso, the industry leader and the world's fourth-largest parts manufacturer, saw only a 2.7 per cent decline in net earnings in the year to March 1998, from Y51.15bn to Y49.77bn on turnover of Y1,375.13bn. One of the main reasons for its success is its affiliation with Toyota, Japan's largest carmaker: companies in the Toyota group own more than 30 per cent of Denso.

In between is a motley group of more independent parts makers supplying several carmakers, including Akebono Brake, the brake manufacturer, Kayaba Industry, which makes shock absorbers, and Riken, the piston ring manufacturer.

But even these companies have not been able to avoid the collapse in the market. Analysts say that Japanese parts makers' dependence on domestic carmakers – in the form of supply relationships as well as loan guarantees and other financial support – has been the largest factor behind this decline. Calsonic, for example, depends on Nissan for over 70 per cent of sales in Japan.

The industry exported only 21.4 per cent of total output last year, compared with 28.2 per cent exported by a sample of US parts makers, according to Morgan Stanley Dean Witter.

This has been compounded by high fixed costs in Japan, which have climbed to record levels in the past two years, according to Christopher Redl, industry analyst at Morgan Stanley Dean Witter. At the same time, companies have been expanding capacity – a risky move in view of the expected decline in domestic demand.



Quiet times in Tokyo showrooms bring bad news for the country's components sector, too, as sales decline AP

"The production system was efficient when it was all sales-oriented and the companies were better off," says Mr Redl. "Now they are being forced to meet the financial challenge – to remain profitable during a downturn as we're seeing now. The biggest problem is that you can't fire anyone in this country."

Tokyo encourages temporary closure rather than capacity cuts

Japanese labour laws make it far more expensive to sack workers or make them redundant than to keep them on the payroll. Although some manufacturing industries – most recently, the truck and petrol sectors – have applied for government subsidies to cover these costs, the government has encouraged companies to close facilities temporarily rather than reducing final production capacity.

The *keiretsu* system (families of interlinked companies) also allows companies to delay significant restructuring because it encourages managers to adhere to group strategy, analysts argue.

Peter Boardman, of Warburg Dillon Read in Tokyo, points to the example of Tochigi Fuji Industries, a small, diversified parts-maker affiliated with Nissan Motor, located north of Tokyo. Tochigi Fuji makes slip disks used in car wheels, and has ample cash-flow to support a tie-up with another parts maker. But the company has insisted on protecting its relationship with Nissan, which is slashing production levels in expectation of its sixth year of losses out of the last seven.

"Now, even with profits declining, they're just not doing anything. It is like they're waiting for Godot," says Mr Boardman.

But there are indications that change is in the air. Nissan has loosened its hold on several of its primary suppliers in recent months in an effort to boost cash-flow and reduce its interest-bearing debt. It has sold shares in Ikeda Bussan, Unisia JECS, and Kinugawa Rubber Industries to companies outside its *keiretsu* – and has even sold shares in its affiliates to groups associated with Toyota Motor.

The deals, while hardly on the scale of General Motors' move to sell Delphi Automotive Systems, could be the harbinger of things to come.

SOUTH AMERICA by Mark Mulligan in Santiago

Brazilian devaluation brings out calculators

New and expanded investments are reassessed as the continent feels a wind of change in the biggest market

Recession and heavy financing costs have spoiled the party for some carmakers and components manufacturers planning new or further investments in South America, although the long-term view remains that the region offers exciting prospects for growth.

Plant closures, production cuts and project delays in the lead-up to, and since, the devaluation of the Brazilian currency have thrown into question some forecasts. However, analysts are sticking to predictions that the country will lift light vehicle capacity from 2m units a year now to 2.5m by next year and 3.5m by around 2003, reflecting the some $12bn of foreign investment into the region in the last few years.

With members of Mercosur – the free trade zone encompassing Brazil, Argentina, Uruguay and Paraguay, with Chile and Bolivia as associates – agreeing in December to cut tariffs on imported vehicles to 15 to 33 per cent, pressure is mounting for some production to find new markets.

Adding to this pressure is a big downturn in domestic consumption in Brazil and Argentina, by far the most *important South American* markets in terms of production and sales.

Some industry officials say the weaker Real may serve to make Brazil, which relies largely on sales to Mercosur, more competitive with Asia as an exporter of vehicles and parts to the US and Europe.

"Brazil, with its currency pegged to the dollar, hasn't been as competitive as other emerging markets – but this could now change," says Brian Babyak, head of communications for Latin America at Delphi, the components manufacturer recently spun off from General Motors.

Luis Martinez, head of Latin American studies at S&P DRI, says the Brazilian devaluation will also have a direct impact on Argentina, whose currency is still pegged to the dollar. "Not only are Brazilian automotive parts becoming much cheaper than imports, but cheaper also inside the Argentine market," he said. This, he feels, will further squeeze Argentine producers, which are often second-tier, or aftermarket, suppliers selling to markets such as Brazil and Venezuela, where many cars are more than 10 years old.

Meanwhile, first-tier, or direct-to-maker, production, is concentrated in Brazil, where international giants such as Delphi, Allied Signal, Valeo, TRW, Magneti Marelli, Bosch, Siemens and LucasVarity battle for market share.

Delphi, with nine fully-owned plants and three joint ventures in Brazil, two plants in Argentina, two joint ventures in Venezuela and a technology centre now being built near São Paulo, is one of the longer-established manufacturers in an industry which last year recorded sales of $15bn in Brazil alone.

With duty on imported components now at 14 to 18 per cent, and the arrival of more and more international automotive groups to challenge VW, Fiat, General Motors, and Ford – which together still account for more than 85 per cent of production in Mercosur – parts makers are being called on to produce locally and play a bigger role in design and development of vehicles to help cut costs.

"What we call integrated production is now a very clear trend in Mercosur," says Mr Martinez.

At the new GM plant being build in Rio Grande do Sul, for example, a small group of suppliers will set up their own factories around the assembly plant. Chrysler will also have its suppliers positioned around the periphery of its new plant in the southern state of Parana. At VW's bus and truck factory in Rio de Janeiro state, parts makers have been bought inside to assemble modular units around the main production line.

This increasing emphasis on logistics has added impetus to a period of frenetic joint venture and takeover activity between multinational and local components makers. According to a report late last year by the Economic Intelligence Unit, by 2000 all but a handful of first-tier components groups selling directly to carmakers will be foreign-owned, with the actual number of suppliers falling from about 500 now to 200 to 300.

Typical of this consolidation has been Magneti Marelli, the Italian group, which in 1997 took control of Cofap, one of Brazil's best-known parts makers. LucasVarity, the UK manufacturer recently the subject of a $7bn deal with TRW of the US, is taking over Freios Vargas, Brazil's biggest brakes maker, and Hayes Lemerz International has agreed to lift its stake in Brazilian wheelmaker Borlem Empreendimientos.

"Autoparts makers in Mercosur – mainly Brazil and Argentina – have been going through a process of purification," says Mr Martinez. "In the last three or four years a lot of the medium-sized and most of the small companies have been disappearing, leaving just the middle-sized and big ones. "And a lot of these *have since been involved in* mergers and acquisitions."

He says the dominant players are now sorting themselves into three groups: new investors looking to position themselves in the market: more established companies such as Valeo – which claims 60 per cent of the 4.1m units a year headlamp market in Mercosur – considering a full or partial withdrawal from Latin America; and *manufacturers taking advantage* of the regional downturn to consolidate through acquisitions and joint venture

"This third group is looking towards recovery in Mercosur in the long term," says Mr Martinez.

FINANCIAL TIMES SURVEYS
GENERAL INFORMATION

FT Surveys
Number One Southwark Bridge
London SE1 9HL
Tel +44 (0)171 873 4090
Fax +44 (0)171 873 3197; e-mail: FT.Surveys@FT.com

SURVEYS PROGRAMME AND INDEX
Surveys are published most days of the week with the FT. Topics include financial markets, global industries, business management and developed and emerging countries. A list of the following week's surveys is published every Monday in the Guide to the Week Ahead on the back page of Section Two of the Financial Times.

☐ For details of forthcoming surveys or a list of past surveys, consult the FT Web site http://www.FT.com/newspaper/services.htm
Customer service is available in the event of website difficulties on +44 (0)171 873 4848
Alternatively, you may call the FT Fax-U-Back service.
☐ Forthcoming surveys programme: 0990 209 908.
☐ Past surveys index: 0990 209 907
(Callers outside the UK dial exit code + 44 990 209 908).Ensure your fax is in polling mode. Users with a handset on their fax machine should dial the Fax-U-Back number and press Start when instructed.

PROFILE
VALEO

Healthy appetite remains after a $1.7bn purchase

For years, the biggest takeovers among automotive suppliers have been one-way affairs as US giants have picked off smaller, often European, rivals. Recently, however, the tide has turned as leading Europeans have cast their gaze across the Atlantic.

Two of last year's biggest deals involved European suppliers paying almost $4bn between them for the components businesses of ITT Industries. One of the buyers was Valeo, the fast-growing French components group, which spent $1.7bn on ITT's auto electrical side.

After steering the biggest takeover of his 12 years at Valeo's wheel, Noël Goutard remains as keen on takeovers as ever to fuel his group's inexorable growth. Over the past five years sales have climbed by an average 15 per cent a year, "and we've been able to grow profits faster still". While half the increased turnover has come organically, acquisitions have made up for the rest.

Mr Goutard will not hint where his next target might lie, nor quantify the savings expected from integrating ITT's businesses with Valeo's own. "Depending on the deal, we look to a two- to four-year payback. In this case, it will be the longer end," is all he will give away.

He is ready, however, to indicate the conditions any takeover must meet to satisfy Valeo's requirements. "We have four main businesses: thermal, clutches and transmissions; electrical and electronics; and the aftermarket. From these four centres we strive to enlarge the perimeter of our expertise."

While Valeo would be unlikely to expand into an entirely new field it will consider just about anything within its four core competences. Mr Goutard would be all the more enthusiastic if the target filled geographic gaps or added complementary products to enhance the group's ability to make entire systems, rather than just parts.

Such a sure-footed approach to growth explains Valeo's rise from a manufacturer of car heat exchangers into areas such as air conditioning and, latterly, electronics. Similarly, its know-how in mechanical anti-theft devices has blossomed into broader expertise in entire door systems.

Electronics features high on Mr Goutard's wish list. "The car is going to be electrified 100 per cent, and Valeo is going to be part of it," he says. Developments on the horizon include a move from 12 volts to 42 volts to meet the insatiable needs of future vehicles. Any remaining belt-driven devices, such as pumps and compressors, will be electrically driven before long, he predicts. Ultimately, even intake and exhaust valves will go this way.

But while high-tech parts, where entry barriers inhibit newcomers, top his plans, commodity items are not excluded. His preference is manufacturers with high volumes, which could make even low margin components profitable when subjected to Valeo's cost cuts, or for acquisitions offering synergies with other group products.

Even plastics – increasingly dominated by big chemicals companies

Noël Goutard: 'We can squeeze costs better than most'

moving downstream – could be of interest, he hints. Expertise in plastic mouldings is necessary when linked with existing Valeo products, such as lighting, air conditioning or interior trim to provide complete systems.

Focused thinking has made Valeo a firm favourite with industry analysts. "Our positive fundamental view of the company remains unchanged," say Nicolas Hirth and Greg Melich at Morgan Stanley Dean Witter in London. But brokers' buy notes have been thinner on the ground lately. "Our concern is that pressure on suppliers from car producers remains intense," notes Camilla Darwin at J P Morgan in London.

Analysts reckon Valeo, like other suppliers, faces three main risks:

- Continued downward pressure on prices from vehicle makers;
- Growing competition from Delphi and Visteon, the massive, and maybe revitalised, giants of the business;
- Dangers of a generalised downturn in vehicle demand this year.

Mr Goutard appears sanguine on all three fronts. On price pressure, he argues Valeo has shown it can squeeze costs better than most. "We have been able to cut costs faster than has been dictated through the pressures of decreasing prices. Restructuring is a way of life at Valeo. We have rationalised or regrouped at least 10 plants a year".

He is as relaxed on the threat of tougher competition from rivals, such as Delphi and Visteon now they are throwing off the shackles of their parent companies. The world's two biggest suppliers are chasing business much more aggressively to distance themselves from General Motors and Ford, their respective parents. Mr Goutard, by contrast, sees Delphi's flotation and Visteon's likely follow-up as opportunities, not threats. "Delphi and Visteon cannot continue to monopolise supplies to their parent companies eternally," he says."

As to the state of demand, Mr Goutard is upbeat about Valeo's main markets. "The one factor you want to watch is interest rates. As long as people think money is free, they will buy cars."

Haig Simonian

WORLD TYRE INDUSTRY by John Griffiths

Countdown to the endgame

Goodyear's chairman gives his thoughts on the direction the sector is heading after his deal with Sumitomo Rubber

As Samir Gibara, chairman of Goodyear Tire and Rubber, sees it, the endgame for consolidation of the world's $75bn world tyre industry is starting to roll into sight.

"Seven to 10 years down the road I think you will see the world tyre industry basically in the hands of three or four global players," he says."

Mr Gibara was speaking in New York, in an interview with the Financial Times, after cementing a deal moving the goalposts for the entire industry.,

Goodyear has formed a "global alliance" with Sumitomo Rubber Industries, Japan's second-largest tyre manufacturer. In reality, it is a takeover by Goodyear in all but name. Of the six joint ventures created by the deal, four are under Goodyear's majority control. Only in Japan are two joint ventures – one dealing with the original equipment market, the other with replacement tyres – under a Sumitomo majority holding, in a face-saving exercise likely only to postpone the day that Goodyear takes full control.

The alliance has had the effect of breaking Goodyear free of its years-long battle with Michelin of France and Bridgestone of Japan for leadership of the industry. Throughout the 1990s each has had sales of $12bn to $13bn, their places in the pecking order changing with even minor market or currency shifts.

Goodyear is now the industry's undisputed colossus. The $2.5bn of Sumitomo's $3.9bn annual tyre sales being brought into the alliance lifts the new grouping's sales to nearly $18bn and takes Mr Gibara a big step towards his goal of turning Goodyear into a $20bn to $23bn turnover entity within four years.

The implication of Mr Gibara's endgame prediction is that the industry's second tier of major players, notably Continental of Germany, Pirelli of Italy, and Yokohama of Japan, will be forced into combinations of their own – or even be swallowed up by Goodyear, Michelin, or Bridgestone.

Even the largest, Continental, has tyre sales only about one-third those of the smallest of the "big three" players. Pirelli's tyres turnover is under $4bn, and Yokohama's, $3bn-plus. Pirelli has already tried, unsuccessfully, to merge with Continental – in the early 1990s – Mr Gibara

Samir Gibara now heads the industry's undisputed colossus AP

points out.

As for the rest of the industry, the odds against emerging market players such as Korean tyremakers, which until even recently appeared to stand a real chance of making inroads, have lengthened to the point where they, too, have little prospect of long-term independence, says Mr Gibara.

Not surprisingly, the view is not shared by Hubertus von Grunberg, Continental's chief executive, or Pirelli's chairman, Marco Tronchetti Provera.

Both maintain that they have a viable future following a broadly similar strategy: developing and manufacturing technologically advanced tyres – capable of commanding higher prices and good profit margins – in western Europe, while meeting demand for cheaper, volume tyres from plants in eastern Europe or other low-cost centres of production.

'The smaller players will be unable to match global reach'

At the same time, they would forge partnerships or alliances with other tyremakers in specific areas where a benefit could be identified.

Currently there is little to suggest that either Mr von Grunberg or Mr Tronchetti Provera are wrong.

Both Conti and Pirelli are making good profits, and their reputations stand high as makers of premium tyres on at least a technological par with the products of the "big three".

Underlining the strategic thinking, Pirelli is forming an alliance with Cooper Tire and Rubber of the US, the world's eighth-largest producer. "We have been negotiating this for almost a year; it is part of a strategy which will allow Pirelli to remain an independent global player," stresses Mr Tronchetti Provera.

In late February Pirelli also signed a deal to collaborate on run-flat tyre development with Michelin.

"You have to separate the psychological effects of the Goodyear/Sumitomo deal from the physical – the tyre is global, but markets are still different. There is still room for companies like Pirelli to be a global player, with maybe a smaller share but higher profits and benefiting from alliances of the type we are forming with Cooper."

Mr Gibara, however, says that the smaller players increasingly will be unable to match the global reach, purchasing power and other scale economies of the largest groups.

"For example, in 1997 our Asia plants supplied no tyres to Europe or the US; this year they will supply nearly 3m. It's the same with Latin

Continued on Page 4

SOUTH KOREA by John Burton in Seoul

Weaklings fall to the strong

Foreign companies seize the chance to snap up quality manufacturers as painful restructuring begins

It has been a brutal year for South Korea's highly-fragmented car components industry, which consists of hundreds of small and financially weak suppliers.

Domestic car sales fell by 50 per cent last year during the country's worst recession in 45 years. More importantly, the number of Korean carmakers that kept component sub-contractors in business has dramatically shrunk from five to two during the past 15 months in an industry plagued by overcapacity.

The car components industry is now heading for a period of painful restructuring. Hyundai Motor, which bought insolvent Kia Motors last year, has embarked on a rationalisation programme among parts suppliers for the two carmakers.

The consolidation process has not been without conflict. Car parts workers have gone on strike to get back-pay owed by carmakers that have gone out of business.

Samsung Motors is demanding that its only car model, the SM5 saloon, be kept in production once its fledgling car business is taken over by Daewoo Motor, although Daewoo makes a similar model. The reason? Samsung wants to guarantee jobs for the network of sub-contractors it established.

The dispute has delayed Daewoo's takeover of Samsung Motors.

However, the woes of the car parts sector have provided an opportunity for foreign companies to acquire some of Korea's biggest component manufacturers, which have a good reputation for product quality. Analysts believe that Korea could emerge as a regional manufacturing base in Asia for foreign component producers.

One recent example was the decision in January by Ford Motor of the US to acquire majority control of Halla Climate Control (HCC), a maker of automotive air conditioning and heating systems, through Ford's Visteon car parts subsidiary.

Ford doubled its stake to 70 per cent in HCC, which was established in 1986 as a joint venture. It is a sub-contractor to Hyundai, Kia, Mazda, General Motors, and Ford.

"This acquisition better positions Visteon to deliver leading-edge climate control systems to customers around the world, especially in the Asia-Pacific region," says Ford. This followed Ford's purchase of HCC's operations in Canada.

Analysts say Ford's investment in HCC could serve as a model for the revival of the Korean car components industry since foreign companies, such as Ford, have the financial resources to buy and merge suppliers, which would lead to greater cost efficiency and improve technical capability.

Foreign investors in the car parts industry are also attracted by the size of the domestic market. Although Korean carmakers have recently suffered a severe downturn, they are still expected to maintain production capacity of 3.5m vehicles annually, which is the second-largest output in Asia after Japan.

More foreign takeovers are likely. HCC was just one of several car component companies controlled by the Halla Group, which went bankrupt in December 1997 because of large debts.

Rothschild, the investment firm, bank, is now supervising the sale of other Halla businesses, including Mando Machinery, Korea's biggest car parts supplier.

Mando has already sold its half-stake in Korea Automotive Motor Co (Kamco), which manufactures small motors used in power window systems and air conditioners, to its German joint venture partner, Bosch, for Won35bn.

Analysts expect that Mando will sell several of its business divisions separately to foreign and domestic carmakers. Ford is mentioned as a possible buyer of its joint venture Halla Electronics.

Despite the financial problems at the parent Halla group, Mando's operating performance is considered strong because of its leading position in Korea's car parts industry.

D.K. Yang, automotive analyst at ING Barings in Seoul, estimates component makers will enjoy sales growth of up to 30 per cent this year as domestic car sales recover and exports of car parts increase.

SOUTH-EAST ASIA by Sheila McNulty in Kuala Lumpur

Fight for survival

Financial crisis has seen manufacturers move into exports

Before south-east-Asia's financial crisis hit, domestic auto component makers in much of the region had no real reason to concentrate on building export markets. Demand for vehicles in Malaysia, for example, had been growing as much as 30 to 40 per cent annually.

Syed Hafiz Abu Bakar, general manager of auto parts at UMW in Malaysia, which makes filters and supplies shock absorbers, said the attitude had long been, "Why bother finding a new market when you can't even keep your local market happy?"

He says: "Year on year we had been struggling to keep pace." So when demand suddenly dropped, as recession swept through the region, car sales in Malaysia, Indonesia, Thailand and the Philippines plunged up to 85 per cent, leaving many component makers fighting to survive.

While those car manufacturers which could afford it did their best to keep their component makers in operation with advance payment for supplies and other benefits, others pressured them to cut prices by up to 10 per cent to relieve their own burdens. Some component makers found themselves squeezed on all sides.

The bigger component makers in each market, which still have the resources to commit, are using the opportunity presented by the slowdown to institute some long overdue changes in they way they do business. Although they resisted cutting prices initially, Mr Hafiz says that once it became clear that the crisis was going to be protracted, component makers began to accept lower margins.

To afford that, UMW stepped up efforts to reduce costs without reducing quality. It began buying parts locally or from cheaper markets. Instead of buying paper for filters from Japan, for example, it bought them from South Korea. And if a component came in two parts it tried to buy it already assembled. Perhaps most importantly, it began tapping into the export market at a time when the domestic currency was weaker.

So far the strategy seems on track, but it has not been as easy for all component makers to switch to exports, a regional automobile analyst says. Many goods did not meet the quality standards achieved in the US and Europe. Other manufacturers did not have the credit lines or foreign partnerships needed to survive. In Thailand, more than a handful of small to medium local companies without foreign affiliations headed in the direction of bankruptcy.

"They were weak to begin with and had no help from the outside," says Michael Dunne, president of Automotive Resources Asia. Some of those in joint ventures with Japanese companies found themselves being bought out, or at least selling majority ownership, while major global OEM (original equipment manufacturers) also moved in to buy assets cheaply.

Fun Woh Peng, general manager of business development in Auto Parts Holding, Malaysia's largest auto component maker, says the company, which produces a range of components, from seats to radiators to shock absorbers, is now trying to strike the right balance between the domestic and export markets, as well as between the automotive and non-automotive markets.

It does not want to be hit in future as badly as it was when auto parts sales dropped 40 to 50 per cent last year, so it has put a new emphasis on developing furniture as it seeks to increase automotive part exports and improve their competitiveness.

In Indonesia, Mr Dunne says capacity is five times the demand. The regional crisis has hit its economy – and its automobile industry – hardest. Last year 58,121 vehicles were sold there, down sharply from 391,807 in 1997. This year only 75,000 units are expected to be sold.

The Philippines, which had a far smaller market than Indonesia, Malaysia and Thailand to begin with, has been hurt the least, Mr Dunne says.

Its pre-crisis volumes were far lower, with 162,096 vehicles sold in 1996, and they have fallen far more gradually – to 144,637 in 1997 and 80,230 in 1998.

In fact, as global OEMs move into the region, the Philippines, with its solid infrastructure and base of engineering talent, is being put under the microscope. "It has all the ingredients to do well," Mr Dunne believes.

OVERVIEW by John Griffiths

Western investment rewarded with growth

Storm clouds have gathered over world car makers during the past year. But, as correspondents report on these pages, there is some sunshine to be found

The scary ride car makers have been enduring over the economic bumps of Asia, South America and Russia smoothes out uncannily through another region of emerging car markets

"Central and eastern Europe outside of Russia is remarkably stable; it says a lot for being plugged into the side of western Europe," says Andre Shortell, global automotive industry specialist with Citibank.

During a year which has seen financial collapse in Russia, and plunging car sales in the South American and Asia-Pacific countries in which manufacturers have been investing heavily, the automotive industry and markets of central Europe – the Czech Republic, Hungary, Poland, Slovakia, Slovenia, and Romania – have been enjoying a period of sustained, and in some countries still spectacular, growth.

Most analysts suggest that modest growth will be sustained this year, even though the west European markets to which the region's cars increasingly are being exported are widely expected to undergo a modest downturn.

In 1997, sales of cars and light commercial vehicles across the entire region of central and eastern Europe, including Russia, CIS, and Balkans states, saw a 21 per cent jump to 2.2m units. By the end of last year growth is estimated to have slowed sharply as a result of the problems in Russia and immediately neighbouring states. However, with the European Bank for Reconstruction and Development showing economic growth in the central European states in the range of 3 to 5 per cent, the coming on stream of new car plants such as General Motors' Opel Polska facility at Gliwice, near Kracow in Poland, and expansion of dealer networks by the industry's main players has meant further sharp sales rises in those countries benefiting most from western inward investment.

Poland, with new car sales of well over 500,000 units a year, now accounts for around 24 per cent of the region's sales and has overtaken Belgium in market size, according to Elaine Hardy, project director for consultancy Harbour Wade Brown's study of car distribution in central and eastern Europe.*

But there is still plenty of room for further growth, with big disparities in the levels of car ownership between countries. For the entire central and east European region, the overall car population is now estimated by the Harbour Wade Brown at 45m, a rise of 4m rise over the past two years and representing 110 cars per 1,000 population compared with 450 per 1,000 in western Europe.

While some countries, such as Slovenia, now have car/population ratios close to the European average – in Slovenia's case 390 per 1,000 – Russia has only 115 and, at the bottom of the pile, Albania a mere 23.

Of the 35 main manufacturers active in the region, most now have national distributors for each of the main markets in central Europe and the Balkans. Altogether more than 5,000 dealer outlets are now open in the six central European states, more than half of them representing western brands.

The big beneficiary of automotive activity remains Poland, which now accounts for almost half of inward automotive investment in the region. The reasons are not hard to find. The economy overall has been growing at a healthy rate, the current 3 per cent representing a slight slowdown from previous levels.

General Motors, Fiat, and Daewoo, the country's main industry players, are enjoying low costs – workers at the showcase Opel Polska receive 15 per cent of their counterparts' wages at Opel plants across the border in Germany. Workforces tend to be young, and both education and productivity levels are high.

The Opel Polska plant is already scheduled for its first phase of expansion next year. Fiat is bumping up against capacity limits, and some industry observers suggest that it may not be long before Fiat invests in more in central or eastern Europe, although not again in Poland to avoid having too many eggs in one national basket.

If there is a question mark over a manufacturer it relates to South Korea's Daewoo and extends to its Czech Republic, Ukraine and other regional plants as well as Poland.

Daewoo has expanded rapidly throughout the world and is not yet making the sales or financial returns it hoped from its investments in central and eastern Europe.

Its Polish-produced Tico is a regional best-seller in the cars sector, but its light commercial vehicle operations remain more problematical, while a joint venture with AvtoZaz in the Ukraine to produce Tavria models – the largest single foreign investment in Ukraine – has already seen production cutbacks because of poor sales.

While not present in Poland itself, Volkswagen – now undisputedly Europe's biggest manufacturer – can only be pleased with the outcome of its ventures into the region. Skoda, once the butt of western consumer jokes, has been turned into one of the industry's bigger success stories.

With its products now based on VW "family" platforms, and after several billion dollars of investment in the Mlada Boleslav facilities near Prague, its cars are finding willing buyers throughout Europe. The Skoda plant has literally run out of capacity, and demand is such that VW is now looking at its plants in western Europe as possible sites at which to add more Skoda production.

Neighbouring Slovakia, too, is securing a notable VW vote of confidence: an investment of up to DM700m to double the capacity of its Bratislava plant to 200,000 to 250,000 units a year. Starting in mid-year it will add VW Polo output to the VW Golf and Bora models already in production there. Around 90 per cent of production is destined for export, including to highly quality-conscious buyers in the west.

● *New Car Distribution in Central and Eastern Europe 1998; Harbour Wade Brown, 9 Smith Street, Warwick, UK.*

CZECH REPUBLIC & SLOVAKIA by Robert Anderson in Prague

Skoda drives VW's success story

With labour costs only one-tenth of those in Germany, Volkswagen is planning new plants and a push into Russia

Volkswagen has used Skoda Auto, the Czech carmaker it bought in 1991, as its vehicle for expansion into central Europe. Skoda is now the biggest carmaker in the region and has powered VW brands to rank first in sales.

After big output increases in recent years, 1999 will be a year of investment for VW. New plants are planned in the Czech Republic and Slovakia to take advantage of labour costs one-tenth those of Germany. Skoda has ambitious plans to move further east and build an assembly plant in Russia, but it is also trying to increase sales in western Europe, helped by new models built on VW platforms.

The biggest investment will be a DM1bn engine plant at Mlada Boleslav to turn out 500,000 Skoda engines and gearboxes annually. Plans have been held up by the need to win European Union approval for the Czech government's investment incentive package, but Skoda expects to begin construction in the middle of this year and to start production in 2001.

Skoda is also revamping its model ranges. At the end of the year it will introduce a replacement for its five-year-old small Felicia model – this time based on the common platform also to be used by the next-generation VW Polo – and in 2001-02 it plans to add a third, larger model.

After a slow start it is steadily increasing the production of the newer mid-range Octavia. Output doubled last year to 117,529, helped by the introduction of an estate version. Felicia production fell back 4 per cent to 285,781 and is expected to decline again this year.

Total production will remain the same this year at around 400,000, but by 2001-02 – when the investments have been absorbed – Skoda expects to produce 500,000 cars a year. This will consolidate its position as the country's biggest company, representing almost 10 per cent of exports.

In Slovakia, VW is moving away from just using the BAZ car plant it took over in 1995 to produce small volumes of labour-intensive niche models such as four-wheel drive Golf hatchbacks. This summer it will begin production of its Polo small car alongside the existing Golf and Bora lines.

VW tripled production at Bratislava last year to 125,000 by importing painted car bodies for final assembly. The company is now investing DM450m to upgrade capacity so that in 2000 the plant can produce 200,000 to 250,000 cars a year, almost all for export.

VW, Slovakia's biggest foreign investor, is also considering investing in a components plant in Martin. The company already produces gearboxes and components at its Bratislava plant and cables in Nitra.

VW also has low-volume car assembly operations in Poland and Bosnia producing Skoda Felicias. Skoda is now considering adding Russia in order to overcome the high tariff barriers and get closer to what it sees as an important future market. Skoda is the top imported car into Russia, though sales last year were half those planned because of the country's financial crisis.

In December the Czech and Russian governments signed a letter of intent which could lead to Skoda investing DM500m over five years in an assembly plant in Izhevsk in the Udmurtian Republic. The joint venture with the carmaker Izhmasch to assemble Felicias could begin in the autumn and after five years produce 80,000 cars a year.

"We have covered central Europe. The question is how fast we expand in eastern Europe," says Detlef Wittig, Skoda vice-chairman.

But Skoda is also looking west. The company increased sales in central and eastern Europe (excluding the Czech Republic) by 8.6 per cent last year although future sales in the region are likely to suffer as the Czech and Slovak economies slow down.

Czech sales fell 18.6 per cent last year to 81,729 – 55 per cent of the market – because of recession and cheap used car imports. Sales figures for January were even worse, down 55 per cent compared with the previous January.

By contrast in western Europe, which comprised 47 per cent of its worldwide sales last year, registrations soared by 37.2 per cent to 172,058 as the Octavia revolutionised Skoda's poor image. The new Skodas, built on VW common platforms, can now be marketed as value-for-money VWs.

Skoda's Octavia, chosen as the Czech government's official car, has lifted the manufacturer's image

RUSSIA by Ryan James Tutak

Foreign cash is drying up

Multinationals downsize, delay or abandon amid fears there may be worse to come

Car production in Russia tumbled 15.3 per cent to 834,126 units in 1998 from 984,609 units in 1997, as the fragile economy fractured into crisis last August. Yet worse might still come as year-on-year output in December fell 18.9 per cent.

In the 1990s, the auto industry performed worse only in 1994 (797,924 units). The impact is stark, as 1997 was the best year since the Soviet Union dissolved in 1991, establishing Russia as the world's 10th biggest manufacturer of passenger vehicles ahead, of Canada, and behind Italy.

The 1997 upturn sparked big plans from foreign car makers, including Fiat, Ford, General Motors, Renault and Volkswagen. Even BMW and Volvo looked at opening plants.

Now, though, all new international projects have been downsized, delayed, or abandoned.

Existing ventures with the South Koreans are troubled. Krasny Aksai, which assembles Daewoo models, suffered the biggest percentage fall in production (62.3 per cent). No official data are out for plants assembling Hyundai and Kia cars, but they have made only small volumes, and each has struggled for months. Problems in Korea hardly helped.

When the crisis hit, Russian auto makers enjoyed a brief burst of demand. Consumers sought to preserve the depreciating value of their rouble savings by buying durable goods such as cars. But panic purchases abated with similar speed, as the proliferation of bank and business closures prevented ever more people from getting cash to get a car.

Lada-maker AvtoVAZ, the biggest car producer in central-eastern Europe, underperformed its flagging sector. Including subsidiaries Bronto and SeAZ, it cut output 19.1 per cent to 606,137 units in 1998 (its second-worst year) from 749,509 units in 1997 (its best year).

GAZ, Russia's second-biggest car maker – and biggest truckmaker – eked out a rise in production: 0.9 per cent to 125,398 units in 1998 from 124,339 units in 1997. GAZ is the only major auto maker in the old communist bloc to raise output every year since 1991.

The biggest percentage rise in output came, surprisingly, from Moskvich, whose models probably seem attractive only to the ascetic and spartan. The company neared death in 1996, building only 2,929 cars in a plant that produced 189,000 units in 1985. It made nothing last August. Yet its total output for 1998 moved ahead 94.2 per cent to 40,000 units, from 20,599 in 1997.

Countdown to the endgame

Continued from Page 3

America – two years ago the region supplied 5m of our tyres in Europe or the US; this year it will be 9m. As a result of our own rationalisation and global reach we are in a position to reduce or eliminate whatever high-cost production we have in obsolete facilities."

Underlining the point, Goodyear is closing its fifth-largest plant in the world, in Alabama, because of its high costs and low efficiency.

Mr Gibara makes clear that western Europe itself will not escape substantial rationalisation following the alliance with Sumitomo.

Together, the two companies have 14 plants in Europe – indisputably too many, even though Goodyear expects dramatically to expand the sales of Sumitomo's Dunlop brand.

Like Conti and Pirelli, Goodyear/Sumitomo will make its high value added tyres in western Europe and North America, using its low-cost plants in east European countries, such as Slovenia, and in Turkey to supply commodity tyres throughout the European region.

He views a new round of consolidation as inevitable. "Our competitors can have the choice of consolidating in Europe or in Japan. But how this will play out is very difficult to tell."

Clearly Goodyear thinks it may be difficult for Michelin to make a big move in Europe because of its market leadership and possible problems with the EU Commission. Bridgestone could run into a different set of problems – cultural, for example – in trying to work with an Italian or a German company.

Michelin, with a European market share close to 30 per cent, seems destined to come under competitive pressure in Europe to an extent it has not experienced for years, thanks to Goodyear's ambitious plans.

"Twenty years ago Michelin and Dunlop were the two most recognised brands in Europe. We now have a wonderful opportunity to revive the Dunlop brand. The Dunlop name has lost some of its status simply because Sumitomo could not afford to do the marketing and development needed to do justice to the name," says Mr Gibara.

"So we will make available to the Dunlop products the advertising money and other resources that the brand requires. With a clever advertising campaign and a good communications programme we can make the Dunlop name as powerful as one of the two or three best name brands in Europe. We will have two brands of equal value to offer to the consumer."

The Sumitomo deal gives Goodyear a European market share of 22 to 25 per cent share even without developing Dunlop further. "What's happened in Europe over the years is that Michelin has held the lead, with the rest of us on 10 to 15 per cent, making it difficult for all of us to compete. "Once we develop the Dunlop brand the potential for us to get closer to 30 per cent is real. So we think we are going to have a healthier industry in Europe, and that's what concentration really is all about."

A similar scenario is needed, says Mr Gibara, in Japan. "In Japan you have one strong leader, Bridgestone, and three weak players. But now we're part of the family in Japan and feel that in a reasonable period of time – say three to five years – we will have a leading, or at least acceptable, position."

By then, he predicts, the Japanese industry itself will already be down to two suppliers.

FINANCIAL TIMES
AUTOMOTIVE WORLD
The world's first truly global automotive magazine

With the launch of FT Automotive World, the international motor industry will at last have a monthly magazine providing complete and authoritative global coverage.

- Keynote interviews with the industry's leaders
- Expert news analysis
- Major features offering unrivalled insight into the industry's trends
- Vital market and company data.

Now is the time for you to make use of the world's greatest source of automotive business information.

FT

Visit us at
• SAE '99 stand 2148
• Geneva Motor Show stand 002

To apply for a FREE subscription to FT Automotive World, simply complete the form below and fax it to +44 (0) 171 896 2723.

I would like to receive regular FREE copies of Financial Times Automotive World (tick) ☐YES ☐NO

(please pass photocopies of this form to your colleagues)

Signature:

Date: / /

To apply for your FREE monthly copy of Financial Times Automotive World please ensure that you complete all sections of this form and have signed and dated above. Incomplete, unsigned and undated applications are invalid.

(Please complete in block capitals)

NAME
JOB TITLE
COMPANY NAME
ADDRESS
POST/ZIP CODE
COUNTRY
TELEPHONE
FAX
E-MAIL

Return your completed application form to us now by fax on:
FAX: +44 (0)171 896 2723
or post it to:
Financial Times Automotive World, Maple House, 149 Tottenham Court Road, London, WIP 9LL, UK.

Please answer all parts of the form by ticking the appropriate boxes.

What title best describes your job? (tick one only)

Chairman/CEO/President 1 ☐
Managing Director/Vice President 2 ☐

	DIRECTOR	MANAGER	EXECUTIVE
Finance	3 ☐	20 ☐	37 ☐
Purchasing	4 ☐	21 ☐	38 ☐
Marketing	5 ☐	22 ☐	39 ☐
Sales	6 ☐	23 ☐	40 ☐
Communications	7 ☐	24 ☐	41 ☐
Logistics	8 ☐	25 ☐	42 ☐
Research & Development	9 ☐	26 ☐	43 ☐
Engineering	10 ☐	27 ☐	44 ☐
Design	11 ☐	28 ☐	45 ☐
Information Technology	12 ☐	29 ☐	46 ☐

55 ☐ Consultant/Business Analyst 60 ☐ Other (please specify)

What best describes the main activity of your company at this location? (tick one only)

A). Manufacturing:
75 ☐ Cars
76 ☐ Trucks/Buses
77 ☐ Other vehicles
Components Supplier
85 ☐ Tier One
86 ☐ Tier Two
87 ☐ Tier Three
88 ☐ Materials
89 ☐ Production Equipment
90 ☐ Other manufacturing (please specify)

B). Service Industries:
100 ☐ Information Technology
101 ☐ Financial Services
102 ☐ Logistics/Distribution
103 ☐ Consultancy
104 ☐ Other service (please specify)

What is the annual turnover of your company?
120 ☐ Under $5m
121 ☐ $5m - $49m
122 ☐ $50m - $249m
123 ☐ $250m - $499m
124 ☐ Over $500m

What is your budget responsibility?
125 ☐ None
126 ☐ Up to $4,999
127 ☐ $5,000 - $49,999
128 ☐ $50,000 - $249,999
129 ☐ $250,000 - $500,000
130 ☐ Over $500,000

26921A

For information on advertising in FT Automotive World contact Mark Cunnington Tel: +44 (0)171 896 2355.

AUTOMOTIVE RESEARCH AND CONSULTING GROUP
GLOBAL AUTOMOTIVE BUSINESS DEVELOPMENT

Automotive industry specialists working with vehicle and component industry management worldwide developing strategic solutions for business development in oem and aftermarkets - focus Europe, North America and Pacific Rim

• New business opportunity identification
• Product, market & corporate assessment / strategy development
• Establishing joint ventures & creating acquisition opportunities
• Assisting competitive positioning

For a copy of ARCG's Paper, The Impact of Vehicle Manufacturer Consolidation send business card to: Richard M. Phillips, CEO

EUROPEAN HQ:
35 Piccadilly,
London W1V 9PB, UK
Tel: 44 (171) 734-7282
Fax: 44 (171) 734-4561

NORTH AMERICA:
7 West Square Lake Road
Bloomfield Hills, Michigan 48302, USA
Tel: 1 (248) 335-2579
Fax: 1 (248) 333-7999

ARCG
LONDON - - - DETROIT

هكذا من الأصل

HUNGARY by Robert Wright in Budapest

Rich expertise is tapped

Technical talent has been a big attraction, and helps to promote the industry as a driver of the national economy

Hungary presented a clean sheet for western car and components manufacturers after the fall of communism.

With no competition from domestic carmakers, Audi, General Motors, Suzuki, and Ford *all* moved into greenfield sites unburdened with a legacy of inefficient communist production methods.

In terms of knowledge, on the other hand, the motor industry has been tapping reserves of expertise formed over decades. Sandor Molnar, general director of Hungary's Economic Affairs Ministry, points out that this tradition is as old as the car itself.

The carburettor was invented almost a century ago by Donat Banki, a professor at Budapest's Technical University, after he saw the fine mist created by a water spray at a flower stall. A Hungarian, Jozsef Galamb, was also a key figure in the development of the Model T Ford.

It is this legacy of technical talent, observers believe, which, allied with low wages, has turned Hungary's motor industry into one of the drivers of the country's economy, generating sales in 1997 of $2.9bn. Some $2.5bn of those sales came from overseas, 15 per cent of the country's total exports.

One of the most vivid illustrations of Hungary's technical advance is the 130 robots which drill cylinder heads at the Szentgotthard factory of General Motors' Opel subsidiary. Presented with basic aluminium blocks, the machines automatically recognise which of three engine sizes the block will fit. Then, in 25 separate operations, they drill and screw on the parts for one of the most complex engine components.

The robots are the biggest such collection anywhere in General Motors. They do not only produce the parts more efficiently than humans; because each machine does all the steps in the process, they avoid the traditional production line problem that one breakdown halts the whole line.

None of this fits with the idea that eastern European manufacturing plants are low-wage, low-skill sweatshops – but neither do the skill profiles of the workforce. Some 53 per cent of Szentgotthard's Opel workers have a high school, college or university degree – a level of education which managers describe as "light years different" from the lower levels to be found in Germany.

The Szentgotthard plant produced 265,000 cylinder heads last year, and 417,000 engines. Opel South-east Europe has become Hungary's fifth-biggest company by turnover. The net profit for 1997 was DM284m on sales of DM1.25bn.

However, the figures have been achieved in an economic climate very different from that in the late 1980s when Opel – and rival Suzuki – first considered investment in Hungary. An engine plant was always the most important project for Opel, but car assembly also initially looked a good way to penetrate closed Comecon markets.

More than 10 years on, that now uneconomic work is being wound down and the focus is entirely on producing components for cars assembled elsewhere.

Car assembly, meanwhile, is being phased in at the Győr plant of Audi, Volkswagen's executive car division. As well as producing 1m engines per year, the plant plans this year to do the labour-intensive assembly work on 50,000 Audi TT Coupés.

As at Opel, the decision on what to do where has been driven by economics. "For a mass car producer like Volkswagen to produce a model of only 50,000 units a year is a very small volume," says Jürgen Hoffmann, executive manager of Audi Hungaria Motor. "It was important to reduce the costs, so that was the reason for the decision to produce the body and paint it in Germany at Ingolstadt, then to assemble it in Hungary."

Hungary's low wages have made largely manual production viable. Still another set of economic considerations brought Japan's Suzuki Motor Corporation to Hungary. The tight margins in the high-volume, low-cost market in which Suzuki's Swift competes meant profit was always likely to be elusive – making low fixed costs vital.

Tadashi Kondo, Magyar Suzuki's sales director, describes profits for 1998 as "very low" on sales of Ft80bn. In 1997, the plant made net profits of just Ft1.65bn on sales of Ft77bn.

Mr Kondo explains: "In Hungary we can get a rather high quality of labour force with reasonable cost. We think [Hungary] is for us the best place for production."

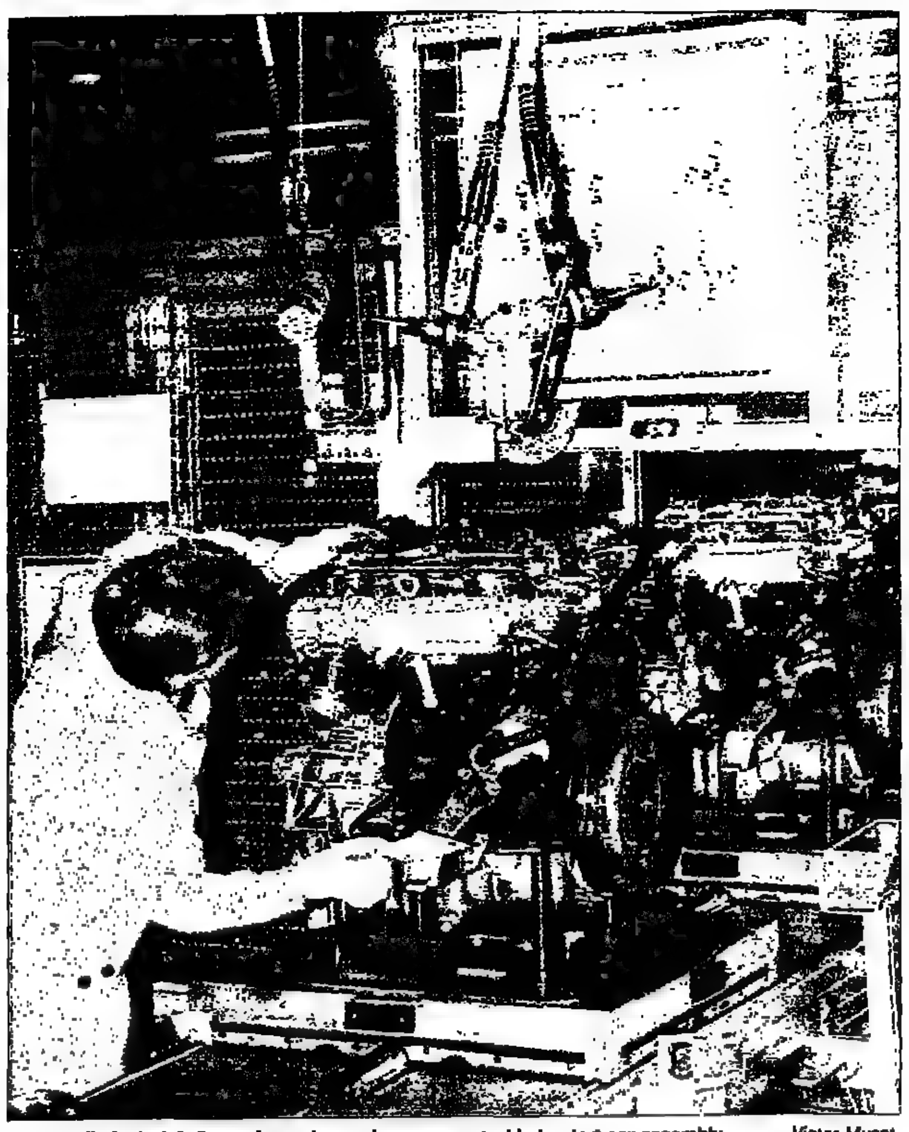
Ford, the US car maker, also has a factory in Szekesfehervar, making fuel pumps, starter motors and gears. The smallest of the multinational plants by sales, it had net revenues of Ft17.8bn in 1996.

Meanwhile, in the shadow of these international investors, a Hungarian-based automotive sector is struggling to escape the communist legacy. Raba, based next to Audi in Győr, has carved out a niche as a specialist axle supplier to the US. However, its bus and truck divisions – designated Comecon suppliers previously – have more question marks against their future, analysts say.

Ikarus, which once produced 16,000 buses a year, is in worse shape, having come close to bankruptcy because crisis-hit Russian customers could not pay their bills. Far more successful has been the tiny North American Bus Industries, a Hungarian-owned company whose main factory, formerly owned by Ikarus, is in the US.

Both for these companies and the multinationals the location of the most successful plants suggests the key to their future. Crowded mostly near the western border, all are looking to establish strong positions in western Europe or North America.

While Hungary's low costs are helping many to compete on price now, there is hope technical prowess will keep the markets open as that advantage erodes.



VW's Audi plant at Győr produces 1m engines a year, and is to start car assembly Victor Musat

POLAND by Christopher Bobinski in Warsaw

Record sales, but 'goodbye' to the locals

Daewoo is close to leading a market dominated by westerners who negotiated promises of high tariffs on imports

Poles bought a record half-a-million cars last year, making the country one of Europe's larger car markets and making the sector one of the most important in the country's economy.

The story for car manufacturing since the beginning of the 1990s has been one of growing foreign investment.

Fiat of Italy has pumped $1.4bn into Poland, while Opel, *the General Motors* German subsidiary, has spent a more modest $360m. Both investors made their commitment only after wringing promises of high tariffs on car imports from the Polish government as a way of protecting their position from competition by other European and Asian manufacturers.

However, both GM and Fiat were surprised when Daewoo entered Poland in the mid-1990s, subsequently investing $1.4bn in the country's car and van industry. The ambitious South Korean car maker has renovated the FSO car plant in Warsaw and built market share on the back of CKD assembled vehicles imported from Korea. This year it looks set to topple Fiat as market leader for the first time since 1992.

Locally-designed models have all but disappeared: Daewoo will produce the 1970s era lossmaking Polonez saloon car at FSO only until the second half of this year. Daewoo then plans to bring its Matiz model into production.

So far GM, which brought its new DM530m Gliwice plant on stream last September, has stayed behind the game with sales of 42,000 vehicles in 1998. The Gliwice plant in the industrial district of Silesia in south-western Poland has the capacity to produce 75,000 Astra Classic vehicles and will be expanded by the end of 2000 at a cost of DM370m to manufacture a small city car.

The Gliwice plant is sited in a special enterprise zone which gives GM a 100 per cent corporate tax break for 10 years and a 50 per cent cut for another decade. These terms have annoyed Fiat, which makes cars at Tychy and Bielsko Biala nearby and which started production before the special zones had been established.

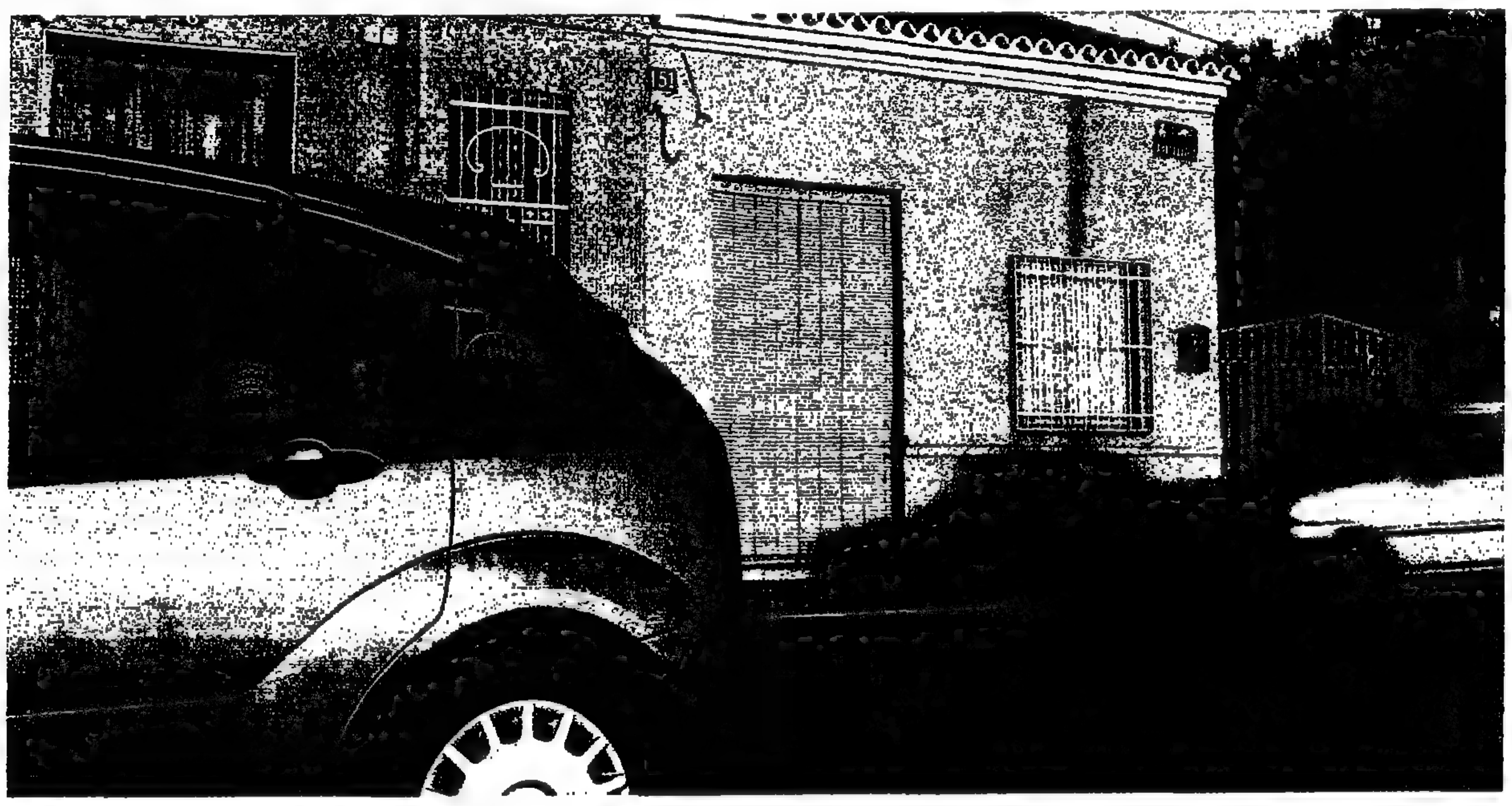
Fiat, worried by its contracting market share, is particularly angry at Daewoo, which is still assembling part of its output in semi knocked-down form to avoid paying a 17.5 per cent tariff on cars brought in from outside the EU. However, the government, mindful of promises made to Daewoo that assembly would be tolerated for a time at least, recently said it would continue to permit CKD assembly till the end of this year.

Meanwhile, the government is happy to see the main car manufacturers bringing their suppliers into the country with them. "Fiat is telling its suppliers to establish operations in Poland because the labour costs are lower than in western Europe," says Adam Pawlowicz, head of Poland's Foreign Investment Agency (PAIZ). The same is true of Daewoo and GM. Indeed, these investments by foreign car component manufacturers mean that inward car industry investments last year ran to $2bn.

Other European car makers, such as Renault, Volkswagen, and Ford, are concentrating on building dealer networks and brand awareness, and waiting for tariffs on car imports from the EU, now at 20 per cent, to be reduced to zero in 2002.

Volkswagen won 11.5 per cent market share last year thanks to its Czech-made, locally-assembled Skoda model. The German car maker is currently building a diesel engine plant and a seat-making factory near Legnica at a total cost of $190m. Ford, whose market share last year was down at 5 per cent, has a modest assembly operation in Poland.

As tariffs on car imports from the EU come down and Daewoo's and GM's manufacturing operations in Poland come into full swing, so will competition inside Poland mount. Fiat has been exporting its Polish-made cars back into western Europe and GM has said it will be selling its Gliwice-made cars throughout central Europe. Daewoo is also set on developing exports from Poland. This year just under 30 per cent of the 111,000 Lanos cars the Korean company plans to make at Zeran will be exported, with several thousand planned to be sold in Germany and France. By 2002 Daewoo plans to sell 46 per cent of the model abroad.



She's enjoying our rapid analytical processes with computer aided engineering.

Visteon was given the task of developing a more efficient air-conditioning system for the new Ford Focus. Using the latest CAE-based tools and rapid analytical testing processes, we met the challenge and reduced the average system completion time by 60%.

As a result, climate control is now an affordable option for many more car manufacturers - making greater levels of comfort available to even more drivers and passengers.

For further proof of our results, visit our website at www.visteon.com

Visteon

See the possibilities™

GUEST COLUMN by Sir Trevor Chinn

Changing face of retail sector

The chairman of UK auto group Lex Service explains how companies such as his are needing to adapt to fresh demands

Sir Trevor: 'Customer loyalty is more difficult to maintain'

In June 1997 I spoke at a European conference on the future of the retail sector for cars. I described how the car dealership system had enabled manufacturers to develop their markets using the entrepreneurial skills and private capital of individual dealership proprietors.

The system has worked well for the car industry, but changes were occurring as manufacturers increased their control over their distribution networks and created larger dealer territories to achieve economies of scale and to reduce competition between neighbouring dealerships of the same brand.

Since my speech the rate of change has increased, with Ford taking financial stakes in dealerships in regions in the US and in the UK. Publicly-quoted dealership groups have expanded rapidly in the US as dealership owners sought to capitalise on the value of the business they had built up. In the UK, there has been yet more consolidation of the dealership groups.

There are many other factors affecting the retail distribution of cars.

Increasing reliability has reduced the need for servicing and repairs for new cars from 2.2 visits per year in 1992 to 1.8 in 1998, according to research for the annual Lex Report on Motoring. Many UK drivers only visit their dealership once a year for a service plus, possibly, one other visit for a repair or compulsory government safety check (MoT).

The technical complexity of modern cars means that the proportion of drivers carrying out their own repairs has fallen from 23 per cent in 1988 to 14 per cent in 1998. Confidence in the reliability of their cars has also encouraged drivers to keep their cars longer: the average length of ownership has risen from 3.5 years in 1986 to 4.1 years in 1998.

The effect of these behavioural shifts is to alter the relationship between the customer and the dealership, making it much harder to maintain customer loyalty. Only 39 per cent of new car buyers had previously used the dealership where they bought their car, while for used car buyers it is 18 per cent.

It is also clear that the internet is becoming increasingly important as a source of information on prices, specification and availability of both new and used cars. This, too, will break the relationship between the customer and the traditional car dealership.

The traditional dealership provides the full range of services which a car owner requires, typically under one roof. This is manageable when the scale is small. However, a volume dealership, selling 2,000 new and used cars, is now a complex multi-skill operation. It requires a manager with a wide range of experience in marketing, sales, administration, financial control, inventory management, production control and personnel.

The business is not profitable enough to support specialists in each of these areas, and it may not be viable even for large groups to exploit their scale by having such specialists centrally.

Dealership groups have reacted in different ways – some have built up scale, others have built partnerships with specific manufacturers, while in Lex we have moved away from high-volume car dealerships towards business services, such as contract hire, and towards motoring services. Other groups have developed free-standing used car sites and networks of body repair centres.

The car retailing operation at Lex has been slimmed to 30 dealerships, representing a smaller number of brand-focused manufacturers where we can provide the high level of personal service which is appropriate to the image of their cars.

Car retailing now accounts for less than 15 per cent of our profit. As an alternative to the large dealership territory approach, in our Hyundai importership – where we are responsible for the marketing and distribution of Hyundai cars in the UK – we have selected some 160 independent dealers. We call them our "Local Heroes": they are typically small in scale, and the dealer principal is a pillar of the community. They are personally involved and have a long-term commitment to the product.

The other change we have made is to "unbundle" the traditional dealership. Instead of one dealer offering a wide range of services, we have shown that there is a need for specialist chains of branded service providers who handle all makes of cars.

Our focus has been on three areas of motoring services: servicing, used car sales, and body repairs. This has given us a major opportunity to build a higher margin business and to make the Lex brand stand for "trust" and "value".

We are building specialist chains of service centres, used car retailing sites, and no-quibble bodyshops, operating in a fundamentally different way from traditional car dealerships. There is central control over operations, pricing and marketing, while local site managers are left to concentrate on customer service and managing their people. They offer fixed prices and comprehensive no-quibble guarantees which lead to high customer satisfaction and loyalty. We are competing against the poorly-capitalised and lower quality non-franchised independent operator rather than the franchised dealership.

Through such changes Lex is now a broadly-based business and vehicle services group, largely insulated from the continuing changes in the car retailing world.

Buoyant demand boosts producers

Although some full-year figures are yet to be announced, it is safe to say that collectively Europe's car makers had a good year in 1998, writes Jonathan Storey.

Of the seven main European car producers, four (DaimlerChrysler, PSA Peugeot Citroën, Renault, and VW) are expected to report increased earnings for the year, two (BMW and Volvo) have reported a fall in profit, and one (Fiat) has slipped into loss.

All the producers benefited from buoyant demand in western Europe, where a 7 per cent increase in new car registrations marked the fifth consecutive year of growth.

Similarly, those car makers with sales exposure to the North American market (BMW, DaimlerChrysler, Volvo, and VW) benefited from the sustained high levels of demand in the region during 1998.

The sharp downturn in Asian markets had relatively little impact on European producers.

The merger of Chrysler and Daimler-Benz occurred at a time of strong earnings growth at both companies. The Mercedes-Benz passenger car division increased its unit sales substantially during the year. The Chrysler division was helped by the strong domestic demand for light trucks, the strike at GM, and new products such as the LHS and 300M.

PSA Peugeot Citroën has reported an 11.2 per cent increase in revenue for 1998 and its net profit is expected to improve substantially from the 1997 result which was dragged down by an operating loss within the car division.

Renault is also expected to report a substantial improvement in profit for 1998, principally due to the success of the Megane, the new Clio, and the Kangoo.

The 1998 results for the VW Group will show significant revenue and profit increases. This marks the fifth successive year of profits growth, helped by higher unit sales and further reductions in the group's cost structure.

Passenger car producers

		REVENUE			PROFIT		
Europe	Currency	1998	1997	Percentage change (1998/97)	1998	1997	Percentage change (1998/97)
BMW	DM(m)	63130	60137	5.0%	1020(a)	1246	-18.1%
DaimlerChrysler***	DM(m)	260000	229300	13.4%	10100(a)	8024	25.9%
VW Group	DM(m)	135000	113245	19.2%	2200(a)	1361	61.6%
Fiat Auto	L(bn)	48000	50734	-5.4%	-192	1468	-113.1%
PSA	FFr(m)	221439	199031	11.3%	8770(a)	683	1184.0%
Renault Automobile	FFr(m)	195077	165788	17.7%	8550(a)	901	849.9%
Volvo Cars	SKr(m)	103798	96453	7.6%	3806	4510	-15.6%
Japan		Figures are for the period Jan-Dec			Figures are for the period Jan-Dec		
Honda	Y(bn)	3133.5	2794.7	12.1%	158.2	126.5	25.1%
Mazda	Y(bn)	1061.5	1025.3	3.5%	8.5	-18.2	146.7%
Mitsubishi (non-consol)	Y(bn)	1106.3	1319.5	-16.2%	-28.6	8.6	-433.0%
Nissan (non-consol)	Y(bn)	1638.5	1776.1	-7.7%	-32.5	38.5	-184.4%
Toyota	Y(bn)	6200.0	5360.0	11.8%	192.7	240.9	-20.0%
US		April-September			April-September		
Ford	$(m)	119038	122935	-3.2%	4752	4714	0.8%
GM	$(m)	161315	171184	-5.8%	2956	6314	-53.2%
		January-December			January-December		

** Operating profit *** Net profit

Production of passenger cars ('000)*

Western Europe	1995	1996	1997	1998	% change (1998/1997)
Austria	69	97	91	83	-0.1
Belgium	1168	1144	1006	1001	0.0
Finland	0	0	2.0	11	4.5
France	2047	2068	2259	2582	-0.1
Germany	4360	4540	4678	5345	0.1
Italy	1422	1318	1563	1378	-0.1
Netherlands	100	145	197	243	0.2
Portugal	73	153	186	181	0.0
Spain	1959	1942	2010	2158	0.1
Sweden	388	368	376	369	0.0
UK	1532	1686	1698	1748	0.0
Total	*13169*	*13461*	*14066*	*15180*	*0.1*
Eastern Europe					
Bulgaria	2.0	1.0	0.0	0.0	0.0
Former Czechoslovakia	213	270	362	484	0.3
Former USSR	893	868	1052	929	-0.1
Former Yugoslavia	95	98	107	92	-0.1
Hungary	51	63	76	94	0.2
Poland	*391*	*442*	*538*	*615*	*0.1*
Romania	92	117	128	129	0.0
Total	1736	1679	2283	2343	0.0
N. America Free Trade Agreement					
Canada	1365	1299	1376	1457	0.1
Mexico	700	816	855	953	0.1
US	6342	6070	5922	5560	-0.1
Total	*8407*	*8185*	*8153*	*7970*	*0.0*
Latin America					
Argentina	227	269	366	353	0.0
Brazil	1383	1467	1676	1245	-0.3
Rest of Latin America	47	42	106	111	0.0
Total	1577	1778	2148	1709	-0.2
Asia					
China	376	494	529	465	-0.1
India	369	472	486	469	0.0
Indonesia	40	35	55	22	-0.6
Japan	7611	7864	8492	8056	-0.1
Malaysia	282	305	363	181	-0.5
Philippines	73	77	59	38	-0.4
South Korea	2003	2265	2308	1625	-0.3
Taiwan	282	265	268	268	0.0
Thailand	128	139	112	50	-0.6
Total	11164	11916	12672	11194	-0.1
Australia	294	315	303	303	0.0
South Africa	224	226	208	186	-0.1
Turkey	233	200	238	233	0.0
WORLD	36734	37830	40058	38047	0.0

* Production statistics are official figures, not cleared of double-counting. Includes estimates for minor markets

New registrations of passenger cars ('000)*

Western Europe	1995	1996	1997	1998	% change (1998/1997)
Austria	280	308	275	296	7.6
Belgium	359	397	396	452	14.1
Denmark	138	142	153	162	6.0
Finland	80	96	105	126	20.6
France	1931	2132	1713	1944	13.5
Germany	3314	3496	3528	3736	5.9
Greece	125	143	162	181	11.5
Ireland	87	115	137	146	6.9
Italy	1745	1732	2404	2364	-1.7
Luxembourg	29	31	32	36	13.2
Netherlands	446	473	478	543	13.6
Norway	91	125	128	118	-7.8
Portugal	201	216	214	248	16.1
Spain	834	911	1016	1192	17.4
Sweden	170	180	225	253	12.4
Switzerland	268	272	271	295	9.0
UK	1945	2026	2171	2247	3.5
Others	14	14	15	15	2.7
Total	12066	12810	13420	14364	7.0
Eastern Europe					
Bulgaria	11	8.0	8.0	11	41.0
Former Czechoslovakia	138	228	230	232	1.0
Former USSR	787	842	997	636	-36.2
Former Yugoslavia	66	96	132	158	18.7
Hungary	69	75	80	108	35.3
Poland	264	373	478	513	7.3
Romania	86	97	96	104	8.3
Total	1401	1718	2020	1762	-12.8
North America Free Trade Agreement					
Canada	677	661	736	740	0.5
Mexico	117	200	301	426	41.5
US	8636	8529	8289	8183	-1.3
Total	9430	9390	9326	9349	0.2
Latin America					
Argentina	275	296	316	322	2.0
Brazil	1411	1401	1561	1232	-21.1
Rest of Latin America	529	540	674	475	-29.5
Total	2215	2237	2551	2029	-20.5
Asia					
China	433	401	465	419	-9.9
India	394	465	508	509	0.2
Indonesia	38	44	73	12	-83.6
Japan	4444	4669	4492	4093	-8.9
Malaysia	225	276	308	132	-57.1
Philippines	73	89	76	38	-50.0
South Korea	1148	1239	1151	568	-50.7
Taiwan	415	363	358	356	-0.1
Thailand	163	173	132	42	-68.2
Rest of Asia	79	74	90	84	-6.7
Total	7407	7793	7662	6263	-18.3
Middle East					
Turkey	199	217	295	[illegible]	[illegible]
Rest of Middle East	454	499	540	567	5.0
Total	653	716	[illegible]	856	2.3
Africa	458	550	525	[illegible]	6.3
Oceania	568	583	588	642	9.2
WORLD	34186	35796	36918	35802	-3.0

* Data includes estimates for minor markets

Data provided by Marketing Systems

Financial Times Surveys

FT Auto

Next Edition Thursday May 27

For further information please contact:
Rob Grimshaw in London
Tel: +44 171 873 4196
Fax: +44 171 873 3062
email: rob.grimshaw@FT.com

FINANCIAL TIMES
No FT, no comment.

CENTRAL-EASTERN EUROPE

Daewoo gnaws at VW's lead

Volkswagen, the top-selling auto group in western Europe, led the booming markets of central-eastern Europe for a third consecutive year in 1998. But Daewoo, the South Korean manufacturer halved this edge, capturing nearly 40 per cent of the region's growth.

Overall, sales jumped 7.3 per cent to 1,237,840 units in 1998 from 1,153,915 units in 1997, for 11 countries reporting reliable data: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

These figures cover new light vehicles not over 3.5 tonnes gross weight.

Although VW led the way, it suffered from the 18.2 per cent downturn in its main market in the region: the Czech Republic, home to Skoda, generated 62.3 per cent of sales by the German group, which also includes Audi, Seat and speciality brands. VW's regional sales dropped 2.8 per cent as its share slipped to 20.8 per cent in 1998 from 23.0 per cent in 1997.

Daewoo, which has become a significant force by buying six state-owned automakers in the region since 1995, increased sales 17.8 per cent to 218,690 units in 1998 from 185,680 units in 1997. This cut VW's lead over the Korean group 51 per cent to 38,768 units from 79,191.

Daewoo's increased sales of 33,010 units reflected 39.3 per cent of the overall rise in demand of 83,925 vehicles.

Fiat, the region's leader from 1993 to 1995, fell further. Its sales slid 5.8 per cent to 195,599 vehicles in 1998 from 207,751 units in 1997.

The Italian group (Alfa Romeo, Fiat, Iveco, Lancia and speciality brands) has been handicapped by its narrow focus in the region. It owns a huge car making complex in Poland, but it makes no light vehicles elsewhere in central-eastern Europe.

In contrast, VW has built its lead on a broad presence. The German group still centres its strategy on Skoda, but it also assembles models from each of its four main marques in Poland. It makes gearboxes and VW cars in Slovakia, and it assembles Audi's new TT roadster in Hungary.

Daewoo, Fiat and VW were the only auto makers to sell more than 150,000 vehicles in the region in 1998. Together they captured 54.3 per cent of the market. Following this "Big Three" were Dacia with 104,565 units, General Motors (88,986) Renault (68,882), and Peugeot-Citroën (65,604).

Renault could challenge a fading Fiat for third place if it closes an expected deal to buy Dacia, a state-owned automaker in Romania. Combined, Dacia and the French company sold 173,447 units in 1998, only 22,152 behind the Italians.

Daewoo could overtake VW this year if the upswing continues in Romania, where the Korean company is the only foreign investor to produce cars.

Poland remained the region's strongest market, selling 565,098 units in 1998, eclipsing the Netherlands as Europe's seventh-biggest auto consumer.

Ryan James Tutak

New light vehicle registrations, 1998

	Volume (Units)	Change (%) 1998/97	Share (%) 1998	Share (%) 1997
Total market	1,237	+7.3	100.0	100.0
Manufacturers:				
Volkswagen group	257,458	-2.8	20.8	23.0
– Skoda	160,329	-6.2	13.0	14.8
– VW	65,404	+6.8	5.3	5.3
– Seat	24,976	-4.5	2.0	2.3
– Audi	6,749	+2.2	0.5	0.6
Daewoo group	218,690	+17.8	17.7	16.2
– Daewoo	169,285	+55.8	13.7	9.4
– Polonez	34,470	-44.4	2.8	5.4
– Lublin/Zuk	13,514	-3.6	1.1	1.2
– Tavria	586	+160.8	0.0	0.0
– Ssangyong	562	+0.9	0.0	0.0
– Other	283	+2.9	0.0	0.0
Fiat group	195,599	-5.8	15.8	18.0
– Fiat	187,756	-7.5	15.2	17.6
– Alfa Romeo	5,072	+141.0	0.4	0.2
– Iveco	1,886	20.6	0.1	0.2
– Lancia	1,073	+105.2	0.1	0.2
– Other	2	-75.0	0.0	0.05
Dacia	104,565	+7.0	8.4	8.5
General Motors group	88,986	+9.8	7.2	7.1
– Opel	88,357	+8.7	7.1	7.0
– Saab	574	+87.0	0.0	0.0
– Other	55	-31.3	0.0	0.0
Renault	68,882	+21.5	5.6	4.9
PSA group	65,604	+21.8	5.3	4.7
-Citroën	33,373	+22.9	2.8	2.4
-Peugeot	[illegible]	+19.0	2.5	2.3
Ford group	59,855	+5.1	4.8	4.8
– Ford	59,751	+5.2	4.8	4.9
– Other	104	-1.0	0.0	0.0
Suzuki	30,981	+48.8	2.5	1.8
Toyota group	27,866	+35.1	2.3	1.8
– Toyota	27,550	+34.5	2.2	1.8
– Daihatsu	316	+83.7	0.0	0.0
Hyundai group	27,591	+35.7	2.2	1.8
– Kia	13,928	+78.2	1.1	0.7
– Hyundai	13,663	+9.2	1.1	1.1
Honda	19,723	+14.4	1.8	1.6
Nissan	18,782	+8.2	1.5	1.5
DaimlerChrysler group	13,771	+4.8	1.1	1.1
– Mercedes-Benz	12,107	+1.8	1.0	1.0
– Chrysler	1,340	+33.7	0.1	0.1
– Jeep	272	+23.1	0.0	0.0
– Other	52	+529.0	0.0	0.0
Mazda	12,417	+8.2	1.0	1.0
BMW group	7,117	+2.3	0.6	0.6
– Rover	3,450	-15.6	0.3	0.4
– BMW	3,206	+30.0	0.3	0.2
– Land Rover	448	+13.5	0.0	0.0
– MG	15	+66.7	0.0	0.0
Mitsubishi	6,998	+10.2	0.6	0.6
Volvo	3,884	+25.9	0.3	0.3
AvtoVAZ (Lada)	3,433	-20.4	0.3	0.4
ARO	2,255,707	-12.8	0.2	0.2
Fuji (Subaru)	1,272	+15.2	0.1	0.1
Other	2,081	-31.9	0.2	0.2
Markets:				
Poland	565,098	+6.2	45.7	46.1
Czech Republic	156,813	-18.2	12.7	16.6
Romania	138,974	+24.6	11.2	9.7
Hungary	126,588	+30.5	10.2	8.4
Slovakia	76,394	+10.6	6.2	6.0
Slovenia	72,607	+11.2	5.9	5.7
Croatia	61,399	+9.7	5.0	4.9
Estonia	12,573	-2.0	1.0	1.1
Bulgaria	[illegible]	+56.5	1.0	0.7
Latvia	8,674	+55.0	0.7	0.5
Lithuania	6,524	+35.8	0.5	0.4

DaimlerChrysler Other includes Dodge, Eagle and Plymouth. Fiat Other includes Ferrari and Maserati. Ford Other includes Jaguar, Lincoln and Mercury. GM Other includes Cadillac, Chevrolet, GMC, Oldsmobile, Pontiac and Saturn.
Some figures are rounded

Source: R/T Information Services

FLEETS by John Griffiths

Makers tune in to leasing

Finance subsidiaries are now showing a growing interest in pan-European one-stop shops for company transport

The concept of one-stop shops for companies operating their car fleets on a pan-European basis is becoming reality.

Leading independent specialists in the fleets and leasing sector, such as Amro Bank-owned Lease Plan, are already well advanced with developing cross-border car leasing and fleet management operations.

Their proclaimed function is to relieve client companies of the administrative burdens – frequently nightmares – of buying, running and disposing of company cars within still widely varying EU member-state vehicle and taxation rules and regulations.

Now vehicle manufacturers, in the form of their finance subsidiaries, are also starting to move in.

By the end of this year, debis Car Fleet Management (dCF), part of the new automotive giant DaimlerChrysler, will have expanded beyond its home base in the UK into every sizeable country in continental Europe, including company car emerging markets such as Poland and the Czech Republic.

In mid-February Volkswagen, Europe's biggest vehicles group, announced the creation of International Fleet Management, a third wholly-owned unit of its financial services division, also aimed at capturing management of large, multinational fleets.

Like debis, and similar operations being set up or contemplated by a growing number of rivals, the VW management company is concerned with all makes of car, not just those produced by the group. A basic ingredient of the leasing business is to acquire whichever vehicles, irrespective of brand, the client company wants to operate, not those the parent manufacturer wishes to sell.

DCF itself has already set up operations in the Netherlands and in Germany, where its ultimate parent has its European headquarters.

The attraction, as Hubertus von Zastrow, its managing director, points out, is that the company car fleet is normally the second-highest overhead for a company after its employees. The complexities of pan-European operations have inevitably put managing it more effectively higher up most large companies' agendas.

Like most of its rivals, debis' packages range from all-inclusive contract hire to management services – the basic functions on which the leasing and fleet management sector has been based, at a national level, for several decades.

The new dimension of pan-European fleets, however, means that the companies owning or operating them are seeking single, all-in deals covering the lease or purchase of their vehicles wherever they may be based,

Alexander Weissleder: Looking for scale advatages

or by whichever national subsidiary the vehicles might actually be run.

"There is no doubt that there are scale advantages to be gained," says Alexander Weissleder, managing director of Mercedes-Benz Finance and responsible for the West European and South African operations of debis Finanzdienstleistungen, the "captive" finance organisation of DaimlerChrysler.

For all the effort going into pan-European activities, it is still a fledgling business – 80 per cent of the cars being leased or managed by dCF are still to mainly small companies operating entirely within the UK, says Mr Weissleder. "And it will probably stay that way for the next three to four years."

The dCF international operations are targeting companies running fleets of at least 25 cars – and usually many more. In the process, much is being learned about the emotions, politics and tensions which can arise over company car policy between national offices of a large corporation and those at HQ concerned only with minimising the fleet bill.

"For example, an Italian local office – with its own preferred cars and ways of running them – is likely to say 'you can't do that here' when there is an attempt to impose a central policy. That situation needs someone like us to simplify things," says Mr Weissleder.

How rapidly the pan-European element of the business will grow is open to question. One significant factor will be whether the recent spate of large-scale mergers and acquisitions across a number of industrial sectors – including that of Damiler-Benz and Chrysler, for example – is sustained. Such activity has already played a big role in the growth of international business to date, says Mr von Zastrow.

dCF is creating its own pan-European operations from scratch, rather than seeking possible partners.

The partnership route has been promoted by some of the leading independent groups, arguing that it makes sense to tap existing expertise in complementary markets. But it is not an approach favoured by dCF – "there is no way of obtaining expertise in this manner to cover the whole of Europe."

Part of the reason relates to the wide differences in company car populations in individual European states. In some countries, such as Italy and Spain, fleet leasing and management is a recent phenomenon, with current annual growth rates of around 30 per cent. Germany is growing at about half that rate, while the UK market, approaching saturation, is now growing at about 5 per cent.

Like the automotive industry itself, the vehicle fleet finance and leasing industry faces a further period of consolidation, predicts Mr Weissleder. Despite the emergence of several dozen large players, it remains a fragmented business, with 450 companies operating in the UK sector alone. Manufacturer-owned operations, he forecasts, will move in to take an increasingly large share of the business. But the main losers will not be rival large independent groups but "the many smaller companies which will be swallowed as the big groups get bigger".

PEOPLE by Haig Simonian

Visteon's new chief has eye on market

Will Craig Muhlhauser, Visteon's new president, be the man to lead the world's second-biggest automotive supplier to the stock market?

Craig Muhlhauser: seeks lesser dependence on sales to Ford

The chances of Ford floating its former Automotive Components Group, renamed Visteon more than a year ago, have increased after last month's successful \$1.7bn flotation by arch-rival Delphi.

General Motors's initial public offering of 17.7 per cent of its Delphi subsidiary has opened a path for other components groups to go to the market. American Axle and Manufacturing, a buy-out largely composed of former GM plants, is a minnow by comparison. But it used the awareness created by the Delphi deal to slip in ahead with an initial public offering of 7m shares to raise \$119m at the end of January.

Mr Muhlhauser, who joined Visteon from the Pratt & Whitney jet engines arm of United Technologies in July 1997, is not trumpeting his stock market goals. But Ford's planned acquisition of the car operations of Sweden's Volvo could bring him a step closer to achieving one of the aims, which, analysts say, he must meet for potential investors in Visteon to cough up.

The Volvo deal should help Mr Muhlhauser meet his target of reducing Visteon's dependence on sales to Ford in the US. Only through new business can the company demonstrate it is more than a captive supplier. Delphi, the world's biggest automotive supplier, has already learned the days of guaranteed contracts from its parent company are over.

Ford's Volvo purchase should allow an entrée to a new customer. Even before the deal, Mr Muhlhauser regarded Europe's car makers as a prime opportunity given his estimate that about \$26bn of new supply contracts were up for grabs in the region this year alone.

Appointed president to succeed Charlie Szuluk on January 1, Mr Muhlhauser argues Visteon has two telling advantages over big rivals such as Delphi, Dana or Valeo.

The first is systems competence. Every supplier worth its salt is talking systems now. Visteon he claims, is special. He argues the company has genuine technological leadership in some areas. "What distinguishes our air conditioners from those of, say, Valeo? In this business, if you're not out in front, you get run over."

He also stresses Visteon's "financial muscle" – and hints at Ford's even bigger resources behind it. With more than \$10bn in net financial liquidity, even after the Volvo deal, Ford is currently one of the world's richest car makers.

Customers' awareness of that should help Visteon pitch for new business, he argues. "Our objective is to have more and more of the financial muscle to assume the risk for original equipment makers." Such risk-taking, he believes, is crucial as vehicle makers shift more research and development and manufacturing work to suppliers to drive down costs and raise profits.

Mr Muhlhauser also hopes he can harness Visteon's technological capabilities in new ways. Helped by his non-automotive past, he has spotted opportunities to sell to new customers outside autos. "Highly-admired companies, such as 3M, have core competences like adhesives but are always looking for applications elsewhere," he says.

Visteon, for example, has real expertise in compressors, which lie at the heart of the air conditioning systems which are one of its fortes. But its compressor technology also lends itself to other opportunities, such as power generation.

Others have been thinking along similar, if less high-tech, lines. Delphi has been trying to find new, non-automotive, customers to reduce its dependence on GM's North American plants. It now sells wiring harnesses to the aerospace sector. With its massive economies of scale, Delphi can produce such parts far more cheaply than traditional suppliers.

Whatever their product differences, such strategies suggest leading parts makers are thinking along similar lines to develop new business opportunities. As with Delphi, so with Visteon, moving away from the heritage of being a captive supplier is a vital step for the future. Mr Muhlhauser may be Visteon's best helpmate to get there.

NEW AND UPDATED by Haig Simonian

Peugeot 406 gets facelift

After almost four years near the top of Europe's best-selling family car league, Peugeot has decided to freshen up its 406. The most striking aspect of the facelifted car, to be seen for the first time at the Geneva motor show this month, are a new front, with narrower, more aggressive headlights, and a restyled rear.

Peugeot claims the revised 406 has about 1,000 engineering changes, including a new generation of lighter, more economical petrol engines.

The new 406 will appear just as Renault and Fiat are refreshing two of their most popular models. Most of the external differences to Renault's Mégane and Fiat's Bravo/Brava would escape the untrained eye, but the alterations inside are more striking, including new dashboards.

Small family cars like the Mégane and the Bravo/Brava slug it out in the biggest, but most competitive, segment of the European market. With newer products such as VW's Golf, the Opel/Vauxhall Astra, and the Ford Focus threatening to eclipse Renault's and Fiat's offerings, such mid-life facelifts have become a necessity for car makers.

General Motors has high hopes its new Zafira people carrier, badged as an Opel in continental Europe and a Vauxhall in the UK, will quickly terminate the monopoly on the sector held by another of Renault's Méganes, the top-selling Scénic.

So confident is GM, that its European planners have decided to raise Zafira output before a single unit has been gone to a customer. The car will not go on sale until after its debut in Geneva.

To meet the expected demand, GM is increasing output this year to 140,000 units from the 120,000 planned. By 2000 production should reach 200,000.

The upgrade follows a forecast by GM's planners that sales of such people carriers, built on the platforms of lower mid-sized family cars, will soar fivefold by 2005. In 1998 the niche pioneered by the Scénic accounted for about 2 per cent of the European market, or 280,000 units. GM expects that to reach at least 10 per cent in the next six years.

High hopes: Peugeot's 406 (above) and (below) the Vauxhall-badged GM Zafira

Crossing over to Detroit

Ford Motor may have bought – many would say saved – Jaguar, but it is gratifying to see the UK luxury car maker rewarding its US parent by offering some brainpower in return.

David Szczupak: masterminded the Jaguar S Type engine

David Szczupak, the chief programme engineer on Jaguar's new S Type, which is shortly to go on sale, will next month hop over to Detroit to take the top job at Ford's global powertrain engineering operations.

The genial Mr Szczupak will not be running the whole show: he will report to Roman Krygier, Ford's head of powertrain operations, responsible for manufacturing as well as design, and, indirectly, to Richard Parry-Jones, the talented Welshman in charge of overall product development. But Mr Szczupak, who made his name heading the team behind Jaguar's highly-acclaimed AJ V8 engine, should prove a valuable addition to Ford's engine development boffins. Two years after becoming chief engineer of Jaguar's engine programme in 1994 he was appointed chief programme engineer for the S Type. With the new model already winning plaudits in the press, Mr Szczupak's star looks set to carry on rising.

KAIZEN INSTITUTE

The leading international consultancy in the implementation of Gemba Kaizen®

Make change fast and sustainably with the help of our experienced consultants.

- Tailor-made programmes designed to implement lean systems in your business
- Gemba improvement skills transferred to your in-house team
- Coaching managers to achieve results through the Kaizen® deployment process
- Expert application of Kaizen® upstream in the design and introduction of new products and manufacturing facilities

To find out how we can help you in your drive to improve quality, cost, leadtime & customer service, contact us on:

Tel: +44 (0) 171 713 0407
or uk@kaizen-institute.com

Tel: +41 (0) 55 451 1940
or international@kaizen-institute.com

COMPANIES by Haig Simonian

Italians and French in joint venture

Links between Fiat and Renault will tighten further when the two companies next month finalise their latest joint venture.

Fiat's Comau industrial automation subsidiary is to buy 51 per cent of Renault Automation, the French car maker's similar subsidiary. Under the terms Fiat has an option to take the remaining 49 per cent between 2002 and 2004.

The link follows last November's move by the two groups to combine their foundry operations, with Fiat's specialist Teksid subsidiary taking almost 67 per cent of the pooled company. Not much earlier, Fiat and Renault decided to put their bus activities into another joint venture, Irisbus.

Comau is one of Fiat's highest profile operations – although its renown tends to be restricted to robotics and process engineering specialists. Among its customers, apart from Fiat itself, are Mercedes-Benz. The German luxury car maker installed Comau units on its A Class production line at the Rastatt factory after being impressed by the units seen at Fiat's showcase Melfi plant.

Financial details of the latest Fiat-Renault link will not be released until the formal agreement is signed in April.

Comau, which is 65 per cent owned by Fiat, had sales of L1,600bn last year. Sales at Renault Automation, which employs nearly 800 people at three factories in France, amounted to about €103m in 1998.

About 85 per cent of turnover came from the Renault parent company or from Peugeot-Citroën.

Is the latest transaction another step on the way to a Fiat-Renault merger? Analysts are doubtful: the overlaps are so great any marriage would lead to massive redundancies. But the trio of recent deals demonstrates the pressures on even sizeable vehicle groups such as Fiat and Renault to cut costs and improve efficiency in a ruthlessly competitive market.

28,480,000,000 dollars in revenue
800,000+ integrated circuits produced daily
200,463 employees worldwide
15,000+ dedicated engineers
1,450 records of invention per year
190 product lines
169 global manufacturing sites
163 quality awards (past 3 years)
123 IRL and CART wins
90+ years of experience
53 union partnerships
51 customer service centers
40 joint ventures
36 countries
27 technical centers
25 customer teams
6 hours...a new product or process
4 regional headquarters
3 business sectors
1 COMPANY
delphiauto.com
NYSE under the
symbol
DPH

DELPHI
Automotive Systems
The power to simplify.

New Mercedes-Benz CLK Coupe & Cabriolet models available from stock and early delivery.
Also New S Class E55 AMG, C43, ML & other models.
T Registrations
Also Range Rovers with saving.
AW (UK) LTD
TEL: 01904 700680 FAX: 01904 709732

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 MONDAY MARCH 1 1999 Week 9

HENRY BUTCHER
Industrial Consultants, Auctioneers & Valuers
+44 171 405 8411

INSIDE

Lycos fights merger move
Robert Davis, chief executive of Lycos, is fighting hard to defend the planned merger of his high-flying Internet company with the less glamorous Home Shopping Network, the television shopping channel. Page 22

Currency markets await policy shift

The currency markets this week will be on the alert for signs of monetary policy changes in the euro-zone and the US. The European Central Bank's governing council meets on Thursday with a very public battle over monetary policy continuing between Oskar Lafontaine, the German finance minister, and Wim Duisenberg, president of the ECB. Currencies, Page 26

Poor start for Colombian shares
Economic recession, higher taxes and asphyxiating interest rates have not provided the best of starts for Colombia's stock markets this year. Since the beginning of January, Bogota's IBB Stock Market Index has fallen 20.5 per cent in dollar terms, and it is now the region's third worst performer after Brazil and Venezuela. Emerging markets, Page 22

Tokyo stocks braced for low profits
The Tokyo equity market has stood up surprisingly well to a rolling barrage of profits warnings in the past fortnight from some of Japan's leading blue-chip companies. However, questions remain whether the market has adequately priced the full scale of the profits downgrades that are likely to be announced before the end of the financial year on March 31. Page 25

Greenspan relies on bond market
Over the past six months Alan Greenspan, chairman of the US Federal Reserve, has been trying to rein in the booming US economy, largely by talking down the equity market, without success. Now Mr Greenspan appears to be encouraging the US government bond market to do the job of monetary tightening for him. Government bonds, Page 24

UK interest rates on the agenda
The Bank of England's monetary policy committee will hold the UK stock market's fate in its hands once again as it decides whether to alter UK interest rates. Page 25

Britain's bingo revival
The UK is seeing a revival of bingo, the social gambling game generally played by middle-aged women. The game's core constituency is growing and it stands to benefit from recent advertising deregulation. Gala, Britain's largest bingo club operator, believes it is Britain's "new growth industry". Page 21

Rolls-Royce reports
Shareholders in Rolls-Royce will discover when it reports this week whether the UK aerospace and industrial power group has achieved its target of double-digit earnings growth. Page 25

FT GUIDE TO THE WEEK

– full listings Page 36

BANANA DISPUTE RIPENS
The dispute settlement body of the World Trade Organisation in Geneva is due to establish a panel on *Tuesday* to examine the controversial Section 301 of US trade law, used by Washington to threaten sanctions against the European Union in their dispute over bananas.
CHERNOBYL REACTOR MAY REOPEN
The last operational reactor at the Chernobyl nuclear power plant in Ukraine could reopen from Tuesday, according to officials in Kiev.
JAPAN GOES ON THE PILL
The central pharmaceutical affairs committee of Japan's ministry of health and welfare is expected to recommend at a meeting on Wednesday that the contraceptive pill be licensed.

Energy group threat to leave Germany

RWE follows Allianz in protest against tax reform plan

By Tony Barber in Frankfurt

RWE, the German energy and industrial group, has threatened to transfer some of its business operations abroad in protest at the centre-left government's planned tax reforms.

It was the second warning in less than a week from a large German company and underlined the scale of disenchantment among business leaders with the tax policies of Chancellor Gerhard Schröder's administration.

Allianz, the Munich-based insurance group, said last Wednesday that it might transfer operations such as asset management and international industrial insurance out of Germany if the government introduced tax reforms targeting insurance companies.

Yesterday, Allianz's chief executive, Henning Schulte-Noelle, suggested his group might form a European-wide holding company and move its headquarters out of Germany. "That can just as well be in another country of the European Union as Germany," he was quoted as saying in the newspaper Welt am Sonntag.

RWE's chief executive, Dietmar Kuhnt, said in a letter addressed to members of the German parliament's finance committee that the reforms would impose an extra DM25bn ($14bn) in taxes on German utility companies. Under the government's proposals, companies would have to pay taxes on their capital reserves.

RWE said a heavier tax burden would force the company to reconsider its planned investment in the Garzweiler II lignite mining project near Düsseldorf. "We have to review the whole investment plan," said a company official, Dieter Schweer. "It's a question of at least 14,000 jobs. If the investment position is no longer attractive, we will examine every possibility of transferring our investments abroad."

RWE has extensive mining, raw materials, petroleum, chemicals and waste management operations as well as its main energy business.

Almost immediately after the Social Democrat-Greens election victory last September, RWE and other energy groups found themselves at odds with the new coalition government over its intention to phase out nuclear power. However Chancellor Schröder, to the annoyance of his Green ministers, later watered down this initiative.

Some senior German executives believe the chancellor is more pragmatic than many of his colleagues and can be persuaded to amend government policies in the interests of business. Representatives of the insurance industry are expected to meet Mr Schröder on Wednesday.

Olivetti to seek new allies in revamped offer for TI

By Paul Betts in Milan

Olivetti is expected this week to seek new allies to support *its €53bn ($58.8bn) hostile bid* for Telecom Italia. The push will follow clearance for a revamped takeover offer, granted at the weekend by Consob, the Italian stock-market regulator.

Roberto Colaninno, chief executive of the information technology and telecommunications business, is trying to enlarge Olivetti's group of core shareholders. This would strengthen his grip on the company and increase his chances of winning the much larger telecoms group in Europe's biggest postwar takeover battle.

He is expected to outline his plans to increase the privatised telecommunication group's value as one way of wooing TI shareholders.

Olivetti officials yesterday declined to comment on Mr Colaninno's search for new industrial and financial allies to flank his north Italian business partners. These control *about 15 per cent of Olivetti* through Bell, a Luxembourg-based holding company.

Olivetti denied Italian newspaper reports of behind-the-scenes manoeuvres with TI's core shareholders, including leading Italian banks and insurers and the Agnellis, the powerful Fiat family. These reports suggested Olivetti and the shareholders were considering a compromise that would assemble a group of investors backing a merger between TI and Olivetti.

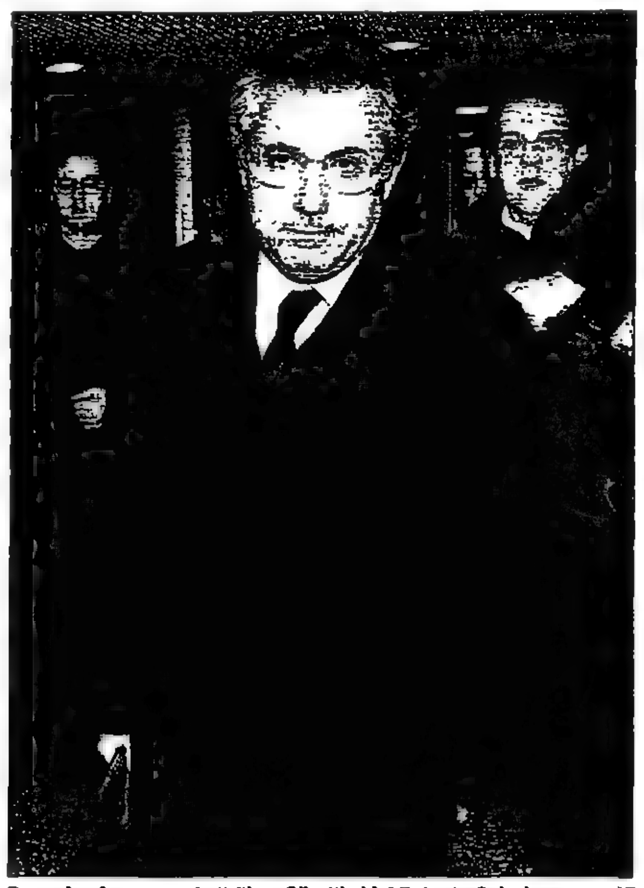
TI also dismissed these alleged attempts at compromise. Franco Bernabe, TI's chief executive, reiterated that it would be up to the market to decide the outcome of what promises to become a prolonged war of attrition.

Financial analysts consider Olivetti's €10 per share offer – in cash, shares and bonds – too low. But Olivetti could sweeten its bid, especially if it manages to recruit supporters. *Olivetti allies are believed to* have already accumulated about 5 per cent of TI.

Mr Bernabe insisted the market will judge the contest on the basis of which side offers the best prospects for increasing TI's value and the best industrial strategy.

Consob's decision to allow Olivetti to proceed with its revamped bid was a setback for TI. The privatised group had described the rejigged offer as "full of holes".

By approving the revised bid, Consob has tied TI's hands in taking defensive action. With more than 1.5m shareholders and a stable core of those controlling barely 7 per cent of the capital, TI would struggle to bring together the required numbers to approve a defence under Italy's new takeover rules.


Preparing for a war of attrition: Olivetti chief Roberto Colaninno AP

SA beer giant wins its London listing

By John Willman, Consumer Industries Editor

Shares in South African Breweries, the world's fourth-largest brewing group, start conditional dealings on the London Stock Exchange today at a price of about £4.30 each.

The expected pricing values the company at some £3.4bn, which advisers believe should qualify SAB for membership of the FTSE-100, ensuring interest from tracker funds that shadow the index. The group hopes to be admitted to the index after the quarterly review meeting of the UK indices committee on March 10.

Some UK fund managers had complained that SAB's membership of the FTSE-100 would *force them to increase their* exposure to emerging markets. This led to market rumours at the end of last week that the issue was in difficulty.

In the event, and after a late rush on Friday, the book was more than covered with more than two-thirds of the placing going to UK institutions. Around a *fifth* went to US investors and the rest to Europe and Japan.

The group placed new shares worth £150m to finance expansion in eastern Europe. The placing allowed two large South African industrial groups to sell stakes of 4.95 per cent of the existing shares.

SAB is expected to list in London on March 8 following its delisting from the Johannesburg stock exchange on Friday. SAB shares fell more than 3 per cent in Johannesburg on Friday, closing at R90 (£9.00.) The shares, which are being split two-for-one for the London listing, will start trading today at a discount of less than 5 per cent to that.

The managers of the placing – Flemings, Cazenove and Goldman Sachs – have the option to raise a further £50m to stabilise trading.

SAB has 58 per cent of the South African beer market and brewing interests in China, eastern Europe and many countries of sub-Saharan Africa. Its move to London is designed to obtain access to deeper and more liquid capital markets, and an active part in the expected consolidation of the global brewing industry.

Lex, Page 18

Top 10 investment banks take 77% of market

By Edward Luce, Capital Markets Editor

The world's leading 10 investment banks have almost doubled their share of fee-based and advisory business in the global capital markets since 1990, according to the Stern business school in New York. They now have 77 per cent of the market.

The growing concentration of market share in the hands of the top banks has coincided with an explosion in the global capital markets during the 1990s, from total volume of less than $1,500bn at the start of the decade to almost $4,000bn last year, the study showed.

The findings, based on statistics from the US information group Securities Data, showed that the top 20 investment banks increased their share of global capital markets business from 80 per cent in 1990 to 97 per cent last year.

The top 10 are Goldman Sachs, Morgan Stanley Dean Witter, Merrill Lynch, Salomon Smith Barney, Credit Suisse First Boston, Warburg Dillon Read, Deutsche Bank, J.P. Morgan, Chase Manhattan and Lehman Brothers. "There is still a lot of juice in this business," said Roy Smith, professor of international business at Stern and co-author of the report. "You can foresee a situation where there are just 10 or 12 banks accounting for almost all of the market."

The growth in concentration has been boosted by several trends. First, the average size of deals in the international debt and equity markets has increased sharply. This has disproportionately benefited banks with the largest and most efficient balance sheets. The growth in deal size has been spurred by the increasing popularity of privatisation and the more frequent use of the international bond markets by companies and sovereign borrowers.

Second, the investment banking sector itself has consolidated, thus shrinking the number of global competitors while increasing their relative size. For example, SBC Warburg acquired the US bank Dillon Read and was then itself merged with Union Bank of Switzerland. The rationalisation of the sector has also coincided with the retreat of Japanese banks from the market. The only remaining Japanese bank in the top 20 is Nomura International.

Third, a number of US and European retail banks have withdrawn from investment banking, after failing to marry the different banking cultures.

However banking analysts say there is little danger an oligopoly will develop. "If you look at other global sectors such as software, aircraft manufacturing or computers, you see much greater concentration," said one analyst.

EDWARD LUCE
GLOBAL INVESTOR

Not such a capital start

Those expecting instant action in Europe's capital markets after the launch of the euro have been disappointed. The much awaited growth of Europe's tiny junk bond market has been put on ice. The development of a genuine asset-backed market has also been slow, with only a handful of European banks daring to launch securitisations. And, if you exclude Olivetti's bid for Telecom Italia, the number of hostile corporate bids involving debt financings is stuck at approximately zero.

Nevertheless, there are stirrings beneath the surface. Although the sub-investment market looks set to remain quiet for the next few weeks at least, an impressive list of lower rated European investment grade companies has issued bonds for the first time. If the average rating of the European borrower was AA plus before the launch of the euro, it has fallen to about AA minus in the first two months of its existence, say bankers. Nothing dramatic, perhaps, and a long way from the situation in the US corporate bond market where the average rating is BBB plus. But, if you consider that this shift has occured in just eight weeks, it is significant.

Much of the record volume in European corporate bond issuance can be attributed to public relations; companies like Alcatel, Repsol and BAT have happily sacrificed the liquidity and tighter pricing that comes with issuing in dollars for the kudos to be gained from launching shiny new benchmarks in the single currency. This explains why the volume of international bonds denominated in euros so dramatically outstripped those issued in dollars in January. However, much of the novelty has worn off and last month the dollar resumed its number one spot in the bond markets, accounting for 47 per cent of all international offerings versus about 40 per cent for the euro.

Interest in the euro is low among US borrowers and investors. From the point of view of large-scale borrowers such as Ford, the Federal National Mortgage Association or General Motors, the dollar is still an attractive currency in which to borrow because it offers a liquid swaps market.

Swaps spreads – the rate at which you swap fixed rate money into floating rate money – remain punitively tight in euros. To make matters worse, the markets have been charging three or four basis points for borrowers to swap floating rate euros into floating rate dollars. In a liquid market the charge on the swap should be zero.

For the US investor, the euro has been a non-starter. Quite apart from currency risk – the euro has depreciated by about 6 per cent against the dollar since 4 January – yields in the euro-zone are significantly lower than in the dollar market. With the yield on the 30-year US Treasury touching almost 5.6 per cent last week and the yield on the German 10-year benchmark well below 4 per cent, few US investors have bothered with the euro. In addition, the forward markets are expecting the European Central Bank to cut interest rates in the next three months while opposite expectations are starting to prevail in the dollar market. So the euro looks set to remain weak against the dollar for some time.

If you exclude the growing Japanese interest in the euro, (which is mostly confined to the safest and largest government bonds) this means that the momentum for the development of the euro-denominated bond markets must continue to be drawn from within the euro-zone itself. The signs are that progress of an undramatic kind will continue here.

The leading banks say the large Dutch, French and German institutional funds have started to put new money into cross-border bond offerings. Anecdotal evidence suggests a growing number of European retail investors – from the Italian chiropodist to the Belgian dentist – are putting cash into fixed income mutual funds in the same way UK investors are switching out of gilts into Peps specialising in corporate bonds.

Chester Murray, head of Moody's Investors Service in Europe, reckons that the euro-zone will soon boast a handful of "super-funds" managing more than €20bn ($22.2bn) in assets. With interest rates low, it is a fair bet most of this new money will flow into higher-yielding corporate bonds.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Cutting Edge Technology
for
Cutting Edge Research!

Todays financial analysts are occupied by tedious tasks like data collection and validation. The time has come to focus on what really counts - providing the foundations for successful investment strategies.

High quality research depends on a reliable, central, consolidated database storing market data, company accounts, estimates and publications.

Framesoft Financial Research provides a central data store and comprehensive functionality covering all major daily activities of financial analysts.

Framesoft helps to speed up the production process of research publications. All functionality is tightly integrated with common office applications.

Framesoft is a fast growing, innovative software company and leading provider of research solutions.
Framesoft's applications are based on internet technology allowing for immediate global roll-out without local installations.

http://www.framesoft.com

framesoft
FRAMEWORKS FOR SUCCESS

Williams set for Swedish purchase

By Susanna Voyle

Williams, the acquisitive security and fire protection group, is today expected to announce a £10m deal to buy a Swedish business.

The agreement to purchase Tempus – which will include the assumption of almost £1m of debt – will bolster the UK group's presence in the Nordic region.

Tempus is the leading fire protection brand in Sweden and will lift Williams's share of the Nordic market from 22 to 26 per cent. The group sells and services fixed and portable fire protection systems.

The deal is Williams's third recent acquisition in the region after deals to buy two businesses in Norway.

Last week Williams strengthened its position in the Asia Pacific region with the $120m (£75m) acquisition of FPD Guardforce in Hong Kong.

The latest deals – combined with the FFr502m (£53m) acquisition of the French Proteg fire protection businesses from Securitas of Sweden in January – are part of an effort to expand Williams's global presence in the fast growing service sector.

The former conglomerate has been focused on security businesses since the £1.3bn deal to buy Chubb, the UK lockmaker, in 1997 and has disposed of most of its non-related businesses.

Scipher weighs up case for flotation

By Thorold Barker

Scipher, the technology development company formed through a management buy-out from Thorn EMI in 1996, is planning to float later this year.

The company, which is 20 per cent owned by EMI, is expected to be valued at about £100m. It would look to raise about £20m of cash through the float to fund new developments, valuing the existing business at £80m.

"We have had no problems so far in attracting [private] funding and are fast approaching the stage where we can put the case to institutional investors," said Kenneth Gray, chairman.

Management bought the company for £3.7m in 1996, when Thorn, the electrical retailer, was demerged from EMI. Thorn EMI's central research laboratory, which became Scipher, invented the body scanner in the 1970s but was sold off because it was not a core part of either Thorn or EMI.

Advent Limited, the venture capitalist, last month paid £5m for a 12 per cent stake that will fund Scipher for a year. Scipher had a negative cash flow of about £3m last year.

The challenge for Scipher, whose technologies include fingerprint security systems for access into buildings and software for 3-D sound in computer games, will be to convince investors its advanced technologies can be turned into profits.

It made a pre-tax profit of £43,000 in the year to March 31 last year. It is expected to increase turnover of £12.6m by more than 30 per cent this year, but profits will remain low because the company spends 20 per cent of turnover on research and development.

Nerds transported to the third dimension via Sensaura

Some technologies, like the Sensaura 3-D sound chip, are profitable. Scipher claims the product is used in 70 per cent of the 50m multi-media PCs sold each year.

Others, such as miniature video displays for the next generation of laptop computers, are still being developed and have yet to prove their commercial potential.

BTG, the UK intellectual property manager, which is one of the closest parallels to Scipher, has had mixed fortunes since coming to the market in 1995. Investors have struggled to put a value on its portfolio of technologies, as it does not expect to be profitable for at least two years. It is valued at about £290m.

Scipher takes out patents on new inventions and oversees their development, but takes a more active role than BTG in developing its own technologies. Once products are launched, users pay royalties whenever they employ the technology.

Mirror awaits revised bids

By Lucy Smy

Mirror Group, the UK newspaper publisher, has been encouraging an unofficial auction between its two rival regional newspaper company bidders.

In a sign of Mirror's growing confidence under John Allwood, its new chief executive, the company is expecting this week to receive improved bids from both Trinity and Regional Independent Media, valuing the company at more than £1bn.

Trinity's initial offer of 0.37 per cent of a share for every Mirror share had valued Mirror at about 165p, which was topped by RIM's offer of 200p in February.

Mirror is now thought to be looking for offers nearer to the 230p-240p that some analysts are recommending. "It is clear that an offer of 200p a share did not impress the board," a commentator said yesterday. "They will have to do a lot better."

The more bullish stance being taken by Mirror is expected to be reflected by Mr Allwood when he presents full-year results on Thursday. He is expected to concentrate not on its recent underperformance, but on opportunities for growth.

He is also expected to announce a shake-up of Mirror's divisions and some disposals, with Sporting Life, the racing title, and Live TV seeming obvious targets.

Trinity is expected to announce its improved offer early in the week.

It is thought that the group will indicate a cash and paper offer of between 200p-220p a share, subject to approval by the Monopolies and Mergers Commission.

RIM may try to hold off improving its offer until after the MMC inquiry is completed in about three months, as the passage of time could affect Trinity's share price and therefore the value of its cash and paper bid.

RIM is thought to be looking at making an indicative offer in the region of 220p-225p.

Mirror Group shares closed at 194p on Friday.

Kingfisher eyes CRS outlets

By Lucy Smy

Kingfisher is examining some of Co-operative Retail Services out-of-town superstores with a view to buying them for its DIY store expansion plans.

The UK retail group wants to increase the number of its B&Q Warehouses, as opposed to the smaller superstores, from 35 to 125. It has earmarked £750m for the five year project.

CRS is thought to be interested in selling its large Homeworld stores, which are in out-of-town locations and could be converted easily from one type of retail use to another.

Although Kingfisher would neither confirm nor deny that it was in talks with CRS, one analyst said yesterday: "You don't need to be a genius to see that it would be a good fit."

The move to expand the B&Q chain, announced in October, shook the hard-pressed DIY industry, which in recent years had seen a number of companies fall victim to over-capacity and price wars. In a trading statement for the nine weeks to January 2, B&Q increased total sales by 3.1 per cent.

framing Caine, jogging brain, regaining fame

Icons through the eyes of a portrait painter, a new fitness regime for the brain and Yohji Yamamoto's second honeymoon with the fashion world. All in how to spend it magazine, free with the Weekend FT this Saturday.

FINANCIAL TIMES
No FT, no comment.

MAM back in new trust issue move

By Jean Eaglesham

Mercury Asset Management hopes to raise £50m-£150m ($80m-$240m) for a new investment trust. The move marks the fund manager's first big new issue since it was forced to pull a heavily promoted launch in July 1997 due to lack of demand.

Conventional trust new issues have been few and far between in the past two years. Investors have been reluctant to pay face value for assets when they can buy shares in existing trusts at wide discounts to net asset value. Managers have also struggled to cope with disenchantment with the sector on the part of institutional investors.

MAM's tactics this time attempt to address these problems. Shares will be offered only to a group of in-house private clients, in contrast to the heavy promotional effort used last time.

It has been designed purely for retail investors. "I hope no institution buys it and I don't expect them to," said Lough Callahan, managing director of Mercury Investment Trusts. The investment mandate will be relatively risk averse, using asset allocation techniques to try and generate a consistently positive investment return, rather than a more aggressive benchmark.

It will initially be offered only to the 5,000 or so MAM clients and staff who hold £307m of Merrill Lynch loan notes. MAM said some would want cash, rather than the trust, so it was hard to forecast how much it would raise. The minimum level is £30m. The launch closes on March 24 and is sponsored by Warburg Dillon Read.

COMMENT

Canary Wharf

Large property development recently emerged from bankruptcy. For being unfashionable that is hard to beat. Nonetheless, Canary Wharf is chugging ahead with plans for a flotation. This, the story goes, is not the dog it once was.

With the first phase of the development now fully let, there is truth in this. For one thing, there is an earnings stream to value. Rents have firmed to £30-35 a square foot, partly with the expiry of cheap leases offered in the early 1990s. Canary Wharf has become a doughty competitor in the London office market. In each of the last three years, it has sold or pre-let 1m-1.5m sq ft of office space – roughly a quarter of all the space turned over in the City of London.

Nonetheless, investors should not get carried away. The one third of the development completed and tenanted has been valued externally at £1.4bn. Apply trading and flotation discounts to that and the figure is £1bn. To get to the mooted £2.6bn top whack market value, investors thus need to value Canary Wharf's ongoing developments, land bank and tax losses at more than £2bn (£3.2bn), before lopping off £800m of on-going debt. By any standards, this looks aggressive.

It looks particularly racy given Canary Wharf's exposure to the volatile financial services market. Can it continue to poach City residents? Low rents helped it get a foothold in the City office market. But bankers may not relocate east if Canary Wharf pushes prices up to the City's £45 a square foot.

European stock markets

The idea of Stockholm's stock exchange moving its daily closing time from 5pm to 10pm may seem bizarre. But it shows the mounting pressure Europe's fragmented stock markets face from the US. The purpose of the move is to claw back trading in Swedish shares – particularly Ericsson – that has been lost to New York.

Against this background, it is welcome news that the London Stock Exchange is putting more flesh on the bones of its alliance with Frankfurt. Harmonising trading hours is a sensible step. Nonetheless, the leisurely pace at which the alliance is moving continues to prompt concern. It is significant that Sweden – Europe's only quoted exchange – is both quicker and more radical in its thinking than member-led rivals.

NEWS DIGEST

PUBS AND HOTELS

Vaux sale committee reduced to three

Two non-executive directors of Vaux have stepped down from the sale committee overseeing the disposal of the UK group's two breweries. Their action is in response to criticism that there was a potential conflict of interest because of their strong company and family links.

Stephen Gibbs is married to the sister of the wife of Sir Paul Nicholson, non-executive chairman, while Anthony Wood is a former executive director. In addition it is understood that Sir Paul will not exercise his board vote over the proposed sale to a management buy-out team led by Frank Nicholson, his younger brother.

The sale committee now comprises just three non-executives – John Conlan, Jonathan Cartwright and Judy Atchison. It could today announce that the sale has been completed, but it is more likely to extend the exclusivity agreement granted to Frank Nicholson's team four weeks ago. **David Blackwell**

TELECOMMUNICATIONS

Remec bids £19.1m for Airtech

Remec, the US mobile telecommunications group, has made a £19.1m ($30.6m) agreed bid for Airtech. The UK group will become the launchpad for the US group's expansion into Europe.

"The merger will assist us in selling our products in the US as Remec's products are technologically compatible with Airtech's," said Nick Randall, Airtech chairman.

When Airtech announced an approach had been made last month, its share price was 27½p. Last Friday, after it was revealed Remec's offer would be valued at 41.9p, the shares rose to 38½p, valuing the group at £17.5m.

Investors holding more than half of Airtech's equity have agreed to the deal, including the Randall family which holds 40 per cent.

Remec offered a significant premium for Airtech's total share capital and the deal will be settled through the issue of Remec shares. "But calling the deal a merger is beneficial from a tax point of view," Mr Randall said. "It was a condition set by Remec. I'm pretty confident the SEC will allow it." **Michelle Joubert**

ENGINEERING

Sweet deal for UBS Capital

UBS Capital, the private equity division of the Swiss bank, has bought Aquarius Group, the world's leading maker of machinery for the production of lollipops and sugar cubes.

The Dutch company, which also makes specialist packaging machinery, is believed to have been sold for a considerable premium to its annual sales of about Fl 50m ($25m).

The deal is unusual because UBS has started to look for a chief executive, who will be offered equity participation, to run Aquarius only after completing the buy-out. **Clay Harris**

Republic of Ecuador
PDI Bonds due 2015

For the six months February 26, 1999 to August 31, 1999, the Bonds will bear interest at 6% per annum. August 31, 1999 will be a Reduced Interest Payment Date. On such date, U.S. $22.30 of interest per U.S. $1,150.97 face amount of Bonds will be payable and U.S. $13.38 of interest per U.S. $1,150.97 face amount will be capitalized. The sum of all capitalized amounts to and including August 31, 1999 is U.S. $164.35 per U.S. $1,000 face amount of Bonds

By The Chase Manhattan Bank as Fiscal Agent
March 1, 1999
CHASE

BANQUE NATIONALE DE PARIS
USD 150,000,000
Collared Floating Rate Notes due 2003

Notice is hereby given that the rate of interest for the period from February 26th 1999 to August 26th 1999 has been fixed at 5 per cent per annum. The coupon amounts due for this period are USD 125.69 per denomination of USD 5,000 and USD 2,513.89 per denomination of USD 100,000 and are payable on the interest payment date August 26th, 1999

BNP The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

U.S. $250,000,000
BankBoston.
Subordinated
Floating Rate Notes Due 2001
Issued 10th February 1986

Interest Rate	5.125% per annum
Interest Period	26th February 1999 28th May 1999
Interest Amount per U.S. $50,000 Note due 28th May 1999	U.S. $647.74

Credit Suisse First Boston (Europe) Ltd.
Agent

MEDIA UK GROUP TO LINK WITH BERTELSMANN

Pearson in German joint venture plan

By John Gapper, Media Editor

Pearson, the publisher of the Financial Times, and Gruner + Jahr, the German publishing group controlled by Bertelsmann, will today detail plans to launch a new German business newspaper competing with established titles such as Handelsblatt.

The German language paper will be edited and published separately from the Financial Times, although it will be printed on pink paper and will draw some articles from the FT's network of correspondents. The companies are expected jointly to invest about £60m ($96m).

The launch marks an ambitious effort to capitalise on the growth of interest in financial markets in Germany, as well as the country's place at the heart of monetary union. A launch date has not been set, but the title is expected to break even in about three years.

Andrew Gowers, formerly deputy editor of the FT, is to edit the title as well as being one of two co-managing directors of the joint venture company. The other will be Michael Rzesnitzek of Gruner + Jahr, which is 75 per cent owned by Bertelsmann.

Gruner + Jahr is one of the biggest newspaper publishers in Germany, whose titles include Berliner Zeitung and Hamburger Morgenpost, as well as magazines such as Stern. It also owns Borse Online, the fast-growing financial magazine.

The companies have not yet fixed a title for the newspaper, although Mr Gowers is now recruiting journalists. The Financial Times brand will appear prominently in the paper, and it will have an internet web site linked to FT.com, the FT's web site.

The Financial Times group already includes the financial newspapers Les Echos in France and Expansion in Spain, but has not had an equivalent in Germany. It decided on a joint venture with the German publisher both to gain from its local knowledge, and to share the financial risk.

The companies believe the market for financial information in Germany is expanding rapidly, and there is room for a paper that combines the authority of traditional German newspapers with the investigative and story-breaking culture of German business magazines.

However, the venture is likely to be seen as risky by some analysts because of the entrenched position of titles such as Handelsblatt and the financial pages of established newspapers.

The FT's international circulation has risen by about 37 per cent in the past year, taking its total circulation to 384,000. However it sells only about 22,000 copies a day in Germany, compared with 180,000 in the UK.

Volvo moves to twin-track strategy

By Tim Burt in Stockholm and Nikki Tait in Chicago

Volvo, the Swedish automotive group, has stepped up plans for an ambitious expansion in commercial vehicles by offering an industrial co-operation package to Scania, its Swedish heavy truck rival, while exploring possible bolt-on acquisitions from Navistar, the US truck and engine group.

The twin-track strategy follows the collapse last month of talks between Volvo and Investor, Scania's controlling shareholder and the main vehicle for Sweden's Wallenberg industrial empire, concerning a takeover of the Scandinavian truckmaker.

Volvo, which has acquired almost 13 per cent of Scania, has asked senior managers at the company to consider an alliance in developing common engine components, gearboxes, drivelines and fuel systems.

At the same time, Volvo executives in the US are expected to renew talks this week with Chicago-based Navistar on the possible acquisition of the group's heavy truck and school bus operations.

Although the two sides have discussed an outright bid from Volvo, they have failed so far to agree a valuation and the Swedish group is thought to be less interested in Navistar's diesel engine arm.

This has big contracts with Ford, supplying V-8 engines for its pick-up trucks. There has already been speculation in the US that if Volvo did acquire Navistar, the diesel engine business might be taken in-house by the US carmaker or the contracts reassigned.

Navistar is understood to have demanded more than US$50 a share, valuing the Chicago-based group well in excess of $3bn. Last week, Navistar shares closed at just below $40, having risen strongly in recent weeks. Last autumn, they were trading at under $20. The company yesterday continued to declined to comment about talks with Volvo.

Leif Johansson, Volvo chief executive, is likely to outline the group's commercial vehicle strategy at meetings in the US this week with institutional investors.

Mr Johansson will also be seeking support from investors for the sale of Volvo's car division to Ford of the US for SKr50bn ($6.1bn) – the subject of a shareholder vote at an extraordinary meeting later this month.

Volvo, which has itself been at the centre of bid speculation in recent months, hopes to use proceeds from the disposal to fund an expansion in its heavy truck business, which currently boasts a 12 per cent market share in North America and almost 15 per cent in Europe.

Following its abortive approach to Scania, Volvo has told its Swedish rival that the two companies could cut their future research and development costs by pooling engineering resources.

Farewell to the 'ladies' and 'hello' to big, fat profits

Dan Bilefsky looks at a revival in the fortunes of bingo as the industry launches its first £5m national advertising campaign

Cheers: the numbers may be starting to add up again

Eve Johnston, a 41-year-old single mother of five, never misses her bingo night. "I will be playing bingo until they lower me into my grave. The bingo hall is my second home."

It is Friday night in south London, and more than 500 people have crowded into Gala's bingo club – a 1930s cinema modelled on a Venetian palace – in Tooting.

There is £200,000 at stake in the National Bingo Game, in which 800 clubs across the UK pool their prize money.

Eve thinks this might be her lucky night. She has already spent £50 and it is already 9pm, but she is unrepentant: "Bingo is my night out on the town and it's important to me."

A bingo revival is upon us. The game's core constituency – women between the ages of 35 and 55 – is increasing in number. Above all, bingo stands to benefit from recent advertising deregulation.

To many, bingo is still redolent of old ladies and tea urns. But in April the National Bingo Game Association will try to wash away bingo's blue rinse image when it launches its first £5m national advertising campaign. The ads will feature drag comedian Lily Savage, and appear during episodes of Coronation Street.

With or without her, bingo is enjoying a high profile. Last week Paul Gascoigne, the football player, announced he was playing bingo with his mother to try to overcome his alcohol problem. Celebrities at the recent Brit Awards for pop music played bingo after the ceremony.

There is a lot of money at stake. Gaming Board figures show a rise from £906m spent on bingo in 1995 to more than £1bn ($1.6bn) in 1998 – and that does not include money spent on admission, amusement machines and catering.

A study by Mintel, the market research group, shows total admissions running at about 100m a year, compared with 98m in 1996.

Bingo has taken a hammering during the past five years because of the advent of the National Lottery.

Total admissions were running at 108m in 1994 but fell 12 per cent by 1996. However, John Kelly, chief executive of Gala, Britain's largest operator of bingo clubs, is confident. He believes bingo is Britain's "new growth industry". Two factors particularly help the two largest operators, Gala and Mecca, which together account for about 60 per cent of admissions.

First, tough competition from the lottery has forced the pace of consolidation within the sector. Small operators of traditional clubs have found it hard to compete, and many have closed.

In the past 18 months, many of the larger leisure groups such as Bass, First Leisure and Vardon (now renamed Cannons) have quit the business, leaving the field open.

Their departure enabled Mr Kelly to take over Gala. When Bass decided to sell its bingo business in December 1997, he persuaded PPMV, the venture capital arm of Prudential, to back his £279m purchase of Gala.

Just six months later, the men from the Pru backed his acquisition of 17 Ritz clubs for £36m. Not only has the consolidation helped Mr Kelly expand his operation, it has improved business conditions too.

Mr Kelly says: "It has helped stop the wars of attrition that used to occur. A town could have a big Mecca, a Gala and a Ritz all fighting for the same market, which reduced margins and destroyed our customer base."

Second, the recent liberalisation of advertising laws should also benefit the largest operators most because they can promote their chain nationally. One analyst said: "Simple mathematics dictate that the larger the club, the larger the prize money, so big clubs such as Gala will be the winners."

Certainly Gala has had a good start. In the 12 months to September 1998, like-for-like operating profits increased 23.3 per cent to £29.1m, while turnover grew 10.5 per cent to £168m. Spend per head increased 6 per cent from £6.56 to £6.93, while like-for-like admissions increased 1 per cent.

A 1 per cent like-for-like increase may not seem like much, but Mr Kelly says the structure of the business means that new admissions go straight to profit.

"The big plcs like Bass tended to focus on increasing profit margins. But from day one I thought the answer was to increase volume. We are a highly geared business, so that once you've covered your cost base, the money from each new admission drops straight to the bottom line."

Gala is also doing well against Mecca Bingo, its biggest rival, owned by Rank, whose interests span Butlin's, Odeon cinemas, bingo halls and the Hard Rock Cafe chain.

Rank has seen its share price nearly halve in the past 12 months. Its gambling arm, which includes Mecca bingo and Grosvenor casinos, recently announced full-year operating profits down 7 per cent at £53m. Mr Kelly says Gala's focus on bingo gives it an edge over the competition.

But it is also clear he would like to expand into other leisure areas for which additional capital could be raised on flotation.

Following this positive start, there is speculation that Gala could float in the next year, though Mr Kelly says there are no imminent plans to do so.

For the moment his attention is firmly focused on dispelling the myth that you can still find "two fat ladies" at your local bingo hall.

"Bingo is no longer about old women with a fag sticking out of their mouth and stockings down to their ankles. It is an incredibly fun evening. For about a tenner you can have three hours of enjoyment and walk away with sweaty palms. We need to get this message out."

LVMH steps up Gucci campaign

By Alice Rawsthorn and Peter John

The battle over the future of Gucci, the Italian fashion house, will intensify this week when LVMH, the French luxury goods group, starts legal proceedings against the Gucci board in the Amsterdam Court of Appeal.

LVMH is also lobbying Gucci shareholders with a global mailshot to explain its argument.

Having stealthily acquired 34.4 per cent of Gucci's equity, LVMH is asking the Dutch court to freeze the voting rights on an equivalent number of new shares issued 10 days ago by Gucci to a newly created employee share option plan (ESOP).

LVMH is telling Gucci investors it does not plan any form of takeover and is not intending to increase its stake. It stresses that it merely wants to enhance shareholder value, and points to margins of about 40 per cent on its Louis Vuitton label compared with margins of 25 per cent for Gucci.

The court case is expected to start on Wednesday, the day after Tom Ford, Gucci's chief designer, is expected to unveil his new women's wear collection at Milan fashion week.

LVMH is suing on the grounds that the share issue was an abuse of the spirit of Dutch corporate law. Gucci, which is trying to prevent the French group from exercising what it calls "creeping control" without mounting a full bid for 100 per cent of its shares, insists it was lawful.

Bernard Arnault, chairman of LVMH, who already controls the Christian Dior and Christian Lacroix fashion houses, hopes to secure an injunction to freeze the voting rights on the shares before an extraordinary meeting of Gucci's shareholders later this month.

LVMH exercised its right as a 10 per cent-plus investor to call for the meeting to vote on its proposal that a nominee director be appointed to the Gucci board. Unless LVMH wins the Amsterdam case, its votes will be blocked by the ESOP shares, and Gucci's independent shareholders will decide whether to endorse the nominee's appointment. The date of the meeting will be disclosed later this week.

Both groups have been trying to persuade Gucci's independent shareholders to support them.

Gucci is being advised by Morgan Stanley and LVMH is being advised by Goldman Sachs.

FINANCIAL TIMES
WORLD LIFE INSURANCE
report

Free Trial Offer

Try the FT World Life Insurance Report FREE for two issues with absolutely no RISK or OBLIGATION.

Your life
depends on it

Every month let our unparalleled network of correspondents deliver up-to-the-minute news and analysis direct to your desk, including:

- The Markets
- Pensions
- Company news
- Law and Supervision
- Health

Reply today and receive 2 free issues of FT World Life Insurance Report without obligation. Please call our Customer Services team on +44 171 896 2279, quoting reference 26040A.

FT
FINANCIAL TIMES
Business

☑ YES Please start my trial subscription to FT World Life Insurance Report. I understand that during the free trial period you will invoice me for a year's subscription (12 issues) at the normal rate of £525 UK or £540/US$920/ €780 Overseas. If I decide not to subscribe, I simply write cancel on the invoice and return it in the envelope provided.

NOTICE TO THE HOLDERS OF

MITSUBA CORPORATION

(Incorporated with limited liability in Japan)
JPY 5 Billion ½ per cent.
Convertible Bonds
due 31 March 2004
(the "Bonds")
ISIN XS0071143835

NOTICE IS HEREBY GIVEN that pursuant to Condition 5.1.3 of the Bonds, the conversion price has been adjusted from JPY 1,107 to JPY 831, effective as of 8 March 1999.

MITSUBA Corporation

ABBEY NATIONAL TREASURY SERVICES PLC
FRF 1,000,000,000
TEC 10 Indexed Floating Rate Notes due 2006
unconditionally and irrevocably guaranteed by
ABBEY NATIONAL PLC

Notice is hereby given that the rate of interest for the period from March 4, 1999 to June 4, 1999 has been fixed at 2.96 per cent per annum.

The coupon amounts due for this period are FRF 74 per denomination of FRF 10,000 and FRF 740 per denomination of FRF 100,000 and are payable on the interest payment date June 4, 1999.

BNP The Fiscal Agent
BNP (Luxembourg)

EMERGING MARKETS INTEREST RATES SHOW SIGNS OF EASING BUT SIGNIFICANT ECONOMIC RECOVERY IS NOT EXPECTED THIS YEAR

Poor start to year for Colombian shares

By Adam Thomson in Bogota

Economic recession, higher taxes and asphyxiating interest rates have not provided the best of starts for Colombia's stock markets this year.

Since the beginning of January, Bogota's IBB Stock Market Index has fallen 20.5 per cent in dollar terms, and is now the region's third worst performer after Brazil and Venezuela. Last week, the index fell 5.1 per cent. Equity investors were edgy as fears mounted that an imminent Constitutional Court verdict might deem unconstitutional a government decision taken at the end of last year to declare an economic emergency.

Under the emergency – a constitutional clause that allows governments to implement extraordinary measures without consulting Congress – President Andrés Pastrana's administration ushered in a 0.2 per cent tax on all banking transactions to prop up a precarious banking sector. The tax, though considered necessary to avoid further macroeconomic complications, will likely add to a range of problems affecting company performance this year.

High real interest rates through most of 1998 have plunged the economy headlong into recession, increasing unemployment and stunting internal demand. Last week the government's National Planning Department announced that gross domestic product growth last year was only 0.2 per cent, the lowest since 1942.

'This year has started with a deplorable investment climate, a plethora of companies in very fragile positions and weak demand due to low incomes and high interest rates'

According to Armando Montenegro, president of the National Association of Financial Institutions (Anif), the poor performance is sure to persist in the first half of this year.

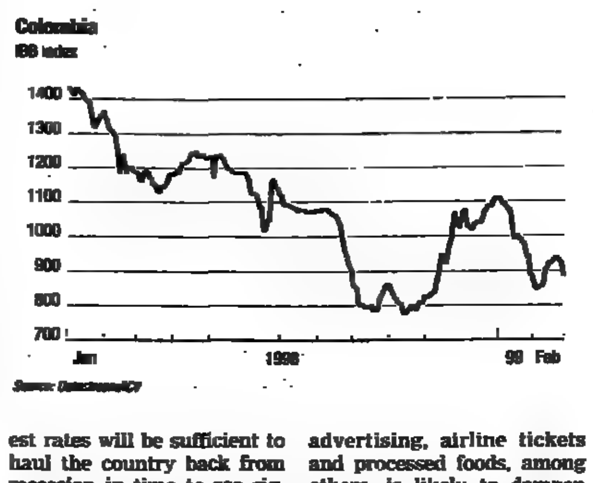
"This year has started with a deplorable investment climate, a plethora of companies in very fragile positions and weak demand due to low incomes and high interest rates," he said.

Yet there are concrete signs that rates are easing and will continue to fall.

Benchmark interest rates have come down approximately eight percentage points since November, thanks largely to a more expansionary monetary policy by the country's central bank; a key decision by Moody's, the US credit rating agency, at the end of last year to maintain its Baa3 investment-grade rating on Colombia's sovereign bonds; and subsiding exchange rate pressure as fears of devaluation dissolve on the back of approximately $2bn of multilateral loans this year.

The fall in interest rates provides a degree of encouragement for the country's three stock markets. Benchmark rates now stand at 28.8 per cent given year-on-year inflation of 17.2 per cent. As a result, finance minister Juan Camilo Restrepo has already come good on the first part of his promise made last year to lower rates to 30 per cent by March and to 27 per cent by June.

Yet given last year's worse-than-expected growth, analysts are still not convinced that the lower interest rates will be sufficient to haul the country back from recession in time to see significant economic recovery in the second half.



Source: Datastream/ICV

One of the main repercussions for companies is vastly reduced internal demand as Colombia's 38m residents spend less while unemployment rises.

Last year, unemployment was 15.9 per cent of the workforce, the worst figure since statistical methodology was standardised 23 years ago. This year, analysts warn, unemployment is set to reach 16.9 per cent.

Also, a new tax reform that has greatly expanded the base of VAT, affecting advertising, airline tickets and processed foods, among others, is likely to dampen consumer demand still further. The Congressionally approved reform, past in December, forms part of the government's strategy to cut last year's fiscal deficit of 4 per cent of GDP to 2.2 per cent this year.

However, it is also likely to have serious repercussions for growth. Santander Investment in Bogota estimates that GDP growth this year will be a mere 0.9 per cent.

Anif, which had originally estimated growth of 1 per cent in 1999, said that figure will now be closer to zero.

The depressing domestic scenario, together with the aggravation this year that lingering global financial instability may frustrate companies' access to financing through the international capital markets, stands to kill off much investor interest in the Colombian stock market.

Analysts at Santander Investment say the IBB index will recover 18 per cent in dollar terms from now to the year-end, which is not enough to make up for the lost ground since January.

However, the overall poor performance – market capitalisation is now a meagre $6.6bn compared with almost double that at the beginning of last year – cannot be blamed on macroeconomic factors alone.

Many Colombian companies have simply failed to make the transition from family-run businesses to enterprises that maximise the returns for their shareholders.

"Colombian companies are not like companies in the US, for example, where the importance of corporate governance is clearly understood," said a local stock market analyst.

Nokia aims to increase staff by 25%

By Tim Burt in Stockholm

Nokia, one of the world's largest mobile telecommunications groups, is planning to increase its workforce by up to 25 per cent this year as part of an aggressive recruitment drive in the software industry.

The strategy is expected to involve a rapid expansion of research and development into internet services and wireless imaging by the Finnish company, which competes head-on with Motorola of the US and Sweden's Ericsson for leadership of the mobile handsets and systems sector.

Senior executives believe the group should focus more on "acquiring human capital", rather than pursuing large takeovers in telecoms and data communications.

The latest recruitment drive follows a rapid expansion of Nokia's workforce in recent years. Of the group's 45,000 employees, 26,000 have joined the company in the past three years.

"Nokia is increasingly becoming a software company and that requires expertise, not just bolt-on deals," said one board director.

As part of the expansion, Nokia has increased its R&D staffing to 13,000. Of that total, 60 per cent are now software engineers.

The company, which last year reported a 74 per cent increase in profits to FM14.6bn (€2.5bn, $2.7bn), said the strategy would also involve further out-sourcing of assembly and component supply operations.

"This company has been at the forefront of sourcing non-core activities elsewhere," said one executive. "We manufactured our last printed circuit board in 1992."

The move follows signs of slowing growth in traditional mobile telephone usage and intense price competition in the sector.

Nokia is predicting that data traffic on mobile systems – internet, electronic mail and fax activity – will increase by 40-50 per cent this year, while growth in voice traffic is likely to remain flat.

Among young mobile phone users in Finland, which has the world's highest penetration of mobile communications, six out of 10 connections were by electronic messaging.

Since the start of this year, mobile telecoms penetration in Finland has overtaken fixed lines for the first time, reaching 56 per cent.

Globally, Nokia is forecasting sales and profit growth of 25-35 per cent this year.

If achieved, that would lift its 1999 profits from FM18.25bn to FM19.7bn, on sales up from FM79.2bn to more than FM100bn.

Given the growth targets, industry analysts had been expecting Nokia to pursue a large takeover. Such speculation was fuelled by the company's recent proposal to consolidate its separately-traded A and K shares.

Senior officials, however, said the group was more likely to seek small acquisitions while concentrating on rapid organic growth.

Lycos chief on the defensive over merger

By Roger Taylor in San Francisco

Robert Davis, chief executive of Lycos, is fighting hard to defend the planned merger of his high-flying internet company with the less glamorous Home Shopping Network, the television shopping channel.

In a series of presentations last week, the first by Lycos since the announcement of the deal prompted a 20 per cent fall in its share price, Mr Davis argued that he was creating the first "next generation internet company".

However, as he defends the deal, he sometimes gives the impression of having lost faith in the strengths of his own company.

At one point in a presentation on Friday, as he enthused over the value of the "real assets" that HSN brought to the deal, he had to check himself and say this did not mean he put less value on Lycos's virtual internet assets. But that was undoubtedly the impression he gave.

Lycos manages a collection of internet sites, including Lycos.com, Tripod.com and Hotbot.com, which give it an audience of about half of all internet users. The company is grouped with Yahoo!, Excite and America Online as one of the internet portals – companies that guide users around the internet and offer a wide range of services from search to e-mail, news and chat.

Lycos has long had ambitions to be more than a portal. It wants to be an internet retailer. After all, why should it direct its audience towards an internet clothes shop, when it could sell clothes itself? Hence the merger, which will create USA Lycos by combining Lycos with two operations owned by USA Networks: Home Shopping Network and Ticketmaster Citysearch Online, the ticket agency.

Mr Davis says the deal will give Lycos access to the real assets needed to become a large retailer – assets that none of its competitors have. HSN has the ability to handle 1m calls and ship up to 200,000 packages a day. It has revenues of $1.5bn and, unlike Lycos, it is profitable.

Lycos's competitors are also wanting to get involved in retailing. There is general agreement that e-commerce, not online advertising, is the richest vein of revenues on the internet. However, none has ventured as far as Lycos away from the web and into the real world.

Robert Davis: confident that shareholders will approve deal

For example, Yahoo! will host internet retailers on its site and will point people towards them in return for a fee. However, that is as far as it goes. The retailer handles taking the order and shipping goods. Yahoo! remains focused on the high-growth high-margin business of directing traffic around the web.

The risk is that Yahoo! customers may stop using its services and start going directly to their favourite retailers. Portals such as Yahoo! are trying to make their services as "sticky" as possible to prevent customers leaving, for example, by getting them to store their credit card information in one place on the portal site. Lycos has taken the ultimate step in making its service sticky by becoming the retailer.

The downside to this is that the company must now get involved in the grubby low-margin business of handling stock inventories and shipping products to customers. This is not the sort of activity in which Lycos's shareholders want to invest.

Mr Davis outlined many other positive aspects to the Lycos deal, such as the opportunity to cross-market services on TV and the internet. He was particularly persuasive in pointing out how Lycos would bring new efficiencies to HSN, such as allowing it to offload unwanted stock through online auctions and to take orders over the net rather than the phone.

He said he was confident shareholders would approve the deal. If so, we will soon see whether Lycos will be able to lift HSN into the high growth world of the internet or whether HSN will drag Lycos down.

PARIBAS

Net income excluding minority interests: EUR 1,002 million
26% growth in net income, excluding minority interests and discontinued activities

In 1998, Paribas achieved growth in revenues of 19%. Net income, excluding minority interests, amounted to EUR 1,002m despite the effects of the financial crisis. The cost of risk in emerging countries resulted in a charge of EUR 387m. Total provisions stand at EUR 706m, representing an overall provisioning rate of 27% of outstandings in 5 sensitive Asian countries, of 100% of Russian outstandings and a general provision of EUR 195m for the other countries.
These figures do not include the provision for restructuring costs to be retained should plans to join forces with Société Générale proceed (EUR 400m, net of tax). Paribas' net income, excluding minority interests, of EUR 1,002m will be corrected automatically if Société Générale's public share exchange offer in France is a success.*

(This document is for information only; it should not be construed as an offer of securities for sale in the United States of America, Canada, Australia, or Japan, nor an extension of a tender offer in such countries. The shares of Société Générale to be issued pursuant to the Offer have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, consequently, may not be offered or sold in the United States of America in the absence of registration or an applicable exemption from registration under the Securities Act.)

Net return on equity of
12%
on an annual basis

Average shareholders' equity of
EUR 8.6 bn

Tier 1 Capital Adequacy Ratio
9.2%

Earnings per share
EUR 6.5

A net dividend of
EUR 2.5
per share
equal to growth of 17.1%,
will be recommended at the Annual General Shareholders' meeting to be held on April 1st, 1999

Revenues, pretax income and ROE per core business

In millions of euros	Specialized financial services	Asset management and Banking services	Corporate and investment banking	Proprietary investments	Real estate	Other	Total
Revenues (1)	1,504	1,013	1,982	687	109	372	5,666
97/98	+ 7%	+ 25%	+ 11%	+ 24%	+ 59%	+ 15%	+ 19%
Pretax income excluding goodwill amortization	421	181	42	659	63	165	1,531
97/98	+ 8%	+ 50%	− 75%	+ 25%	+ 153%	ns	+ 31%
Pretax ROE	26%	27%	1%	35%	9%	12%	16%

(1) Excluding revenues on allocated equity.

19% growth in revenues and 31% in pretax income for the 6 core business lines

Specialized financial services. With pretax income of EUR 421m (+ 8%), this core business shows a pretax return on equity (ROE) of 26%. The different business units continued their international extension and a large number of partnerships were signed. Loan production generated outside France now accounts for 27% of the total.

Asset management and Banking services. Pretax income enjoyed strong growth, reaching EUR 181m (+ 50%), equal to pretax ROE of 27%. Assets under management also grew significantly (+ 19%) from the combined effect of sustained inflows (+12%) and good market performance (+ 7%). Cardif, Cortal and Institutional and Private Asset Management all enjoyed excellent years. The Securities Services business also reported extremely strong growth.

Corporate and investment banking. Revenues (excluding the cost of risk on emerging countries) increased by 11%, despite the effects of the crisis in the financial markets, reaching EUR 1,982m due in particular to strong growth in customer revenues (+ 12%). Increased expenses (+ 21%) were linked to continued staff expansion (430 new employees) and investments required to adapt the Bank's computer systems to the euro and the year 2000.
Revenues from capital market activities grew by 14%. The negative impact of EUR 387m, due to the financial crisis in the emerging countries, is entirely carried by this core business line.

Proprietary investments. Pretax income for Proprietary investments increased by 25% principally through the growth in realized capital gains (EUR 597m, + 40%). Unrealized capital gains increased by 34% to reach EUR 3.1m for a total estimated portfolio value of EUR 6.5bn (+ 8%). This performance testifies to the recurrent nature of the income generated by Paribas Principal Investments.

Real estate. Pretax income amounts to EUR 63m (+ 153%), equal to a pretax ROE of 9%.

Other activities. Pretax income stands at EUR 165m, chiefly derived from capital gains generated in the financial portfolio.

PARIBAS

PARIBAS INVESTOR RELATIONS
3, rue d'Antin, 75002 Paris - France - 33 1 42 98 66 35 - Internet: http://www.paribas.com

Brazil plans return to debt markets

By John Barham in São Paulo

Brazil intends to issue international bonds or borrow from banks once talks with the International Monetary Fund are completed and "things have improved", said the acting president of the country's central bank.

Demosthenes Madureira Pinho Neto did not say how much the government hopes to raise but private sector economists say Brasilia has \$6.4bn in foreign debt service payments to make this year.

Felipe García, of New York consultancy IDEA, said the markets expect an announcement "maybe as soon as this week after the IMF programme as part of confidence-building measures and to set a market benchmark".

The central bank still has reserves of just under \$36bn and should receive further disbursements from the IMF and international lenders as part of their \$41.5bn rescue package.

However, the government is still expected to issue about \$4bn to \$5bn in debt this year to avoid running down its reserves and to establish a reference point for private sector borrowers.

Brazil has been absent from the international debt markets for almost a year, although other Latin American countries have been active recently. On February 18, Argentina raise \$1bn in 20-year bonds at a yield spread of 678 basis points over comparable US Treasury bonds.

Mr Garcia says Brazil would probably have to pay a spread of about 1,300 basis points to place bonds at the moment. Arguably, this cost would fall if international sentiment towards Brazil began recovering with the passage of final austerity measures in Congress, a satisfactory new agreement with the IMF and a positive reception in the markets for Arminio Fraga Neto as the new central bank president.

International banks have been clamouring for the Brazilian treasury to issue new debt to set a benchmark for private sector borrowers ever since the Russian default last August.

Companies and banks account for about two-thirds of the country's \$228bn in gross external debt. This year alone they have \$13.81bn in principal and interest payments on medium and long-term debt falling due. They must also repay a further \$16bn in short-term loans.

Foreign banks are not renewing these loans as they mature because the risk of lending to Brazil has increased substantially after the Real's 40 per cent devaluation in January.

A new sovereign loan would provide a reference point for banks, which would help them resume lending to private sector borrowers. However, analysts say even with a sovereign benchmark in place and assuming a willingness by international banks to lend, the high cost of funds would discourage all but a few borrowers.

Brazilian bankers report that their corporate clients are avoiding dollar debt, fearing this would establish an unjustifiably high benchmark that would make it harder for them to access international markets later when conditions were more favourable.

Listing on Easdaq for Israeli group

By Vincent Boland

Israel's largest cinema group plans to list its shares this month on Easdaq, the pan-European stock market for growth companies, and is to raise new capital to finance expansion in central Europe.

IT International Theatres will be the first Israeli company to list on Easdaq, and its decision to choose a European listing – Nasdaq has been the favoured exchange for Israeli companies – follows a sustained marketing drive in Israel by the Brussels-based exchange.

Supercom, an Israeli high technology group, is also planning to list on Easdaq by the end of April, and the exchange has just admitted its first two Israeli members, Koor Futures and Solid Capital, which will act as market-makers for Israeli stocks.

Nomura is global co-ordinator for the initial public offering of ITIT, which is due to be completed by the end of March depending on market conditions.

ITIT, a family controlled company set up in 1929, operates 92 screens in 21 cinemas throughout Israel and claims a 45 per cent share of box office receipts.

The company began opening multiplex cinemas in Budapest in 1997 and now has 25 per cent of its screens outside its home market.

It had revenues of Shk216m (\$53.4m) and net income of Shk22m in 1998, up from Shk180m and Shk16m in 1997.

Under the terms of the IPO, ITIT is to issue 2.5m new shares, representing about 25 per cent of its share capital.

A price range is due to be set in early March, ahead of a series of presentations to investors in Europe, the US and Israel.

Frankfurt and London put on a brave face

Creating a pan-European stock exchange is showing progress, of sorts, writes **Vincent Boland**

A delegation from the City of London, including people from leading banks and fund management groups, recently visited Frankfurt to check on progress in creating a new stock market to trade the shares of Europe's top 300 companies.

One topic addressed was how the UK and Germany would harmonise the rules that govern how shares are listed and traded on their respective stock exchanges.

This is a key issue in attempts by London and Frankfurt to make their plans for a pan-European stock market a reality.

One of the delegation returned to his desk convinced the task facing the two exchanges was "horrendous", so different are their stock market cultures.

The issue is unavoidable, however, and in the next few days London and Frankfurt are expected to cast some light on how they will do so.

While a significant breakthrough is not immediately expected, the fact that the exchanges' alliance is ready to go public on the issue represents progress of a sort.

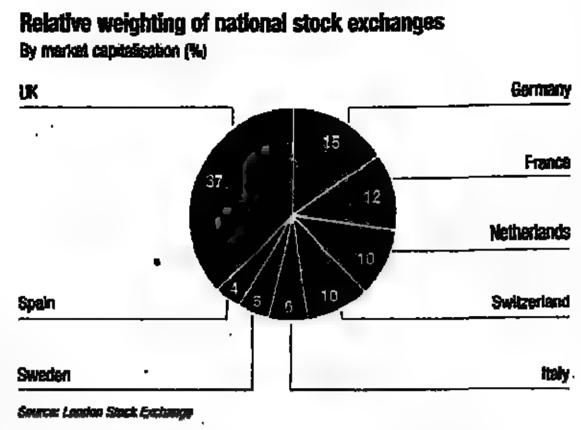
It will, for a little while, turn the spotlight away from disagreements between them over two other crucial issues holding up their grand design for a European super-exchange. Neither side denies that they are at loggerheads over how ownership of the proposed market will be structured, and over what family of equity indices it should adopt.

Given the fact that Frankfurt is competing with London on so many fronts to become the financial capital of the euro-zone, it is remarkable that the two are co-operating at all on a single European stock market, likely to be one of the guarantors of the long-term success of the euro.

Nevertheless, because financial markets move at such speed, the lack of headline making progress by London and Frankfurt and the mutability of their deadlines, not to mention the secrecy surrounding the venture, have led some observers to wonder privately whether the project might not be overtaken by a competing vision of where Europe's stock exchanges should be headed after the euro.

It is, as one banker noted last week, nine months since the project was unveiled, and there is still no sign of a baby. "When are we going to see some of the fruits of this alliance?" he asked.

In particular, the big investment banks and fund managers, who welcomed the project initially – indeed, might be said to have brought it about through their membership of both exchanges – could soon begin agitating for a firmer time-table so they can estimate and plan the costs and benefits involved in changing their internal systems to use it.



Source: London Stock Exchange

Gavin Casey, chief executive of the London Stock Exchange, declined to comment specifically on the progress the alliance with Frankfurt has made.

It is clear, however, that the issues of ownership and indices will require much more detailed discussion so they can be resolved by the second half of the year, when the second, "market convergence" phase of the project is due to fall into place.

Both the London and Frankfurt stock exchanges are currently member-owned, although the German market's ownership is dominated by its big banks.

Deutsche Bank, Dresdner Bank and Commerzbank are understood to share a 25 per cent stake in Deutsche Börse, the operating company for Frankfurt's stock and futures markets.

Each is now tussling for a dominant share of the new project, based either on market capitalisation, which would make London dominant, or on daily trading turnover, which would be more equal.

"Ownership will be determined on the basis of the value each exchange brings to the new market," said Mr Casey. That, in essence, is what they want to resolve.

The index question is equally complex – the two exchanges have relationships with different providers that they seem reluctant to give up. The LSE (with the Financial Times) owns FTSE International, owner of the FTSE Eurotop indices. Frankfurt has a joint venture with Dow Jones and the Paris Bourse for the DJ Stoxx set of pan-European indices.

Fund managers say the index question is crucial because the nature of its constituents will determine where investment will flow in the future. One option understood to be under consideration is for the issue to be decided by the two exchanges separately from the super-exchange project, in consultation with the leading index providers.

Progress on the alliance is also being closely watched by the six European exchanges – Amsterdam, Brussels, Madrid, Milan, Paris and Zurich – granted observer status in the project. Mr Casey would not comment on claims that the six had been assured of full participation, but only if they accepted the ownership structure agreed by London and Frankfurt.

"That is the type of condition one accepts at the end of negotiations, not at the beginning," said one sceptical observer. The talking, it would appear, has only just begun.

Alliances surge as fund managers seek clients

By Jane Martinson, Investment Correspondent

A record number of fund managers launched cross-border joint ventures last year despite evidence that more than half fail within three years, according to a report to be published today.

Research by Cerulli Associates, the Boston-based consultants, found that the number of cross-border joint ventures between fund managers has exploded as companies seek to gain access to overseas clients. Almost three-quarters of more than 150 joint ventures formed since 1979 were launched in the past three years.

A record 29 cross-border joint ventures were launched last year. This rapid growth was largely fuelled by US and UK fund managers wanting to link up with Japanese companies as that market liberalises. About a third of the partnerships formed last year involved a Japanese distribution partner.

Such joint ventures typically involve a US or UK asset manager gaining access to a domestic distribution network via a bank or large savings group. Arguments over the perceived failure of the local partner to market the new products was one of the main causes of failures within three years.

Ben Phillips at Cerulli said most ventures failed because both sides had different expectations of what could be achieved. Other reasons were companies being taken over or disputes about revenue sharing.

The report found that only one joint venture – Wells Fargo Nikko Investment Advisors – ended with a sale to a third party that made a profit for both sides.

The push into overseas markets has also spurred cross-border acquisitions of fund management companies by other financial services groups, such as Merrill Lynch, the US investment bank, buying Mercury Asset Management, the UK's largest pension fund manager.

The wide-ranging report also concluded that investment in the developed world outside the US will grow faster than the US market over the next four years.

Growth will be particularly strong in the mutual fund marketplace as individual investors in continental Europe save more for their retirement.

Global Asset Gathering Strategies, Vol I, Cross-Border Business Development. Cost: \$8,000. Tel: 001 617 437 0084

Henderson buys US portfolio

By Norma Cohen, Property Correspondent

Henderson Investors, the UK-based fund management company, said it has agreed to buy the real estate portfolio of Phoenix Home Life, the mutual life insurer based in Hartford, Connecticut, in a move that gives it a significant presence in the the US direct real estate market.

The acquisition of Phoenix Realty Advisors will more than double Henderson's real estate assets under management to £7.2bn (\$11.5bn) and creates one of the few UK property investors with an international presence.

"We think the US is an important real estate market in a global sense," said John Partridge, head of property at Henderson Investors.

"It fills a big hole for us in our global real estate portfolio," he added.

Phoenix Home Life said it made the sale as a strategic decision no longer to invest in direct property assets, in line with other US insurance companies. In recent years, several leading insurers have sold their direct real estate holdings to diversify into more liquid real estate company shares.

Mr Partridge said Henderson is increasingly adopting a US-style approach to property investment, with only core investments in a home market exclusively in direct holdings. Secondary holdings are in real estate securities, largely outside the domestic market, while tertiary holdings are in venture capital-type investments in overseas markets.

"What we are doing is creating a number of target markets," Mr Partridge said.

Terms of the sale were not disclosed.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Endesa (Spain)	Enersis (Chile)	Power	\$1.45bn	Narrow failure
Deutsche Telekom (Germany)	max.mobil (Austria)	Telecoms	est \$1bn	Majority move
Swiss Life (Switz)	Lloyds Continental (France)	Insurance	\$543m	Long-term buy
Securitas (Sweden)	Pinkerton (US)	Security	\$368m	Sector milestone
Tyco International (Bermuda)	Units of Glynwed (UK)	Engineering	\$232m	Restructure sale
Canandaigua (US)	Units of Diageo (UK)	Drinks	\$186m	Whiskies galore
Danisco (Denmark)	Sidlaw (UK)	Packaging	\$170m	Recommended
Robert Bosch (Germany)	Zexel (Japan)	Car components	\$168m	Taking control
Williams (UK)	FBD Guardforce (HK)	Security	\$120m	Critical mass
Skandia (Sweden) Storebrand	Merger	Insurance	n/a	Non-life reshuffle

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 26, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7809.60	4790.00	5214.31	4003.37
Albania	(Lek)	224.932	140.400	154.135	118.331
Algeria	(Dinar)	103.518	64.6180	70.9357	54.4610
Andorra	(French Fr)	9.5727	5.9755	6.5596	5.0362
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Drachma)	459.545	283.100	321.781	247.029
Greenland	(Danish Krone)	10.8496	6.7725	7.4345	5.7080
Grenada	(E Carib $)	4.3254	2.7000	2.9639	2.2756
Guadeloupe	(French Fr)	9.5727	5.9755	6.5596	5.0362
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Papua New Guinea	(Kina)	3.6800	2.2947	2.4932	1.8834
Paraguay	(Guarani)	4645.81	2900.00	3183.48	2444.15
Peru	(New Sol)	5.5189	3.4450	3.7818	2.9035
Philippines	(Peso)	62.3980	38.9500	42.7574	32.8276
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

This notice is issued in compliance with the requirements of London Stock Exchange Limited (the "London Stock Exchange") and appears as a matter of record only. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares in Synstar Plc. The shares in Synstar Plc are not being registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. No public offer of shares in Synstar Plc will be made in the United States.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Synstar Plc, issued and to be issued, to be admitted to the Official List of the London Stock Exchange (the "Official List").

It is expected that admission to the Official List will become effective and that unconditional dealings will commence at 9.00 a.m. on 5 March 1999.

synstar

Synstar Plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered no. 3416147)

Placing of 87,113,785 ordinary shares at a price of 165p per ordinary share

Sponsored by

Morgan Stanley & Co. International Limited

Share capital upon admission to the Official List

Authorised Number	Authorised Amount		Issued and fully paid Number	Issued and fully paid Amount
216,666,666	£2,166,666.66	ordinary shares of 1p each	162,500,000	£1,625,000

Synstar is a leading independent provider of IT services to a broad range of customers in the UK and most Western European countries.

The placing is underwritten by Morgan Stanley Dean Witter, Deutsche Bank and Commerzbank. Morgan Stanley Dean Witter is acting as global co-ordinator and bookrunner of the placing. Morgan Stanley & Co. International Limited is sponsor to the London Stock Exchange listing.

Listing Particulars were published on 26 February 1999 and are available for inspection from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Old Broad Street, London EC2 1HP during normal business hours up to and including 14 March 1999 and are available for collection from the offices of IRG Plc and Synstar Plc referred to below during normal business hours on any weekday (Saturdays and any public holidays excepted) up to and including 14 March 1999.

IRG Plc
Registered Office:
23 Ironmonger Lane
London
EC2V 8EY

Synstar Plc
Cumberland House
Old Bracknell Lane West
Bracknell
Berkshire, RG12 7AE

1 March 1999

Midland Bank plc
(Incorporated with limited liability in England)

£250,000,000
Subordinated Floating Rate Notes 2001

For the three months from February 26, 1999 to May 28, 1999 the Notes will carry an interest rate of 5.60% p.a. On May 28, 1999 interest of £69.81 will be due per £5,000 Note and £698.08 in respect of £50,000 Note for Coupon No. 52.

Global Agency and Trust Services, Citibank, N.A. London

NOTICE OF APPOINTMENT OF REPLACEMENT TRUSTEE

Carlsberg Finans A/S

£200,000,000 7 per cent. Bonds due 2013

NOTICE IS HEREBY GIVEN that pursuant to clause 2.1 of a Supplemental Trust Deed made on 9th September 1998 (the *Supplemental Trust Deed*) Carlsberg Finans A/S (the Issuer) of £200,000,000 7 per cent. Bonds due 2013 (the *Notes*) constituted by the trust deed dated 26th February 1998 (the *Trust Deed*) has appointed Citicorp Trustee Company Limited (the *Replacement Trustee*) to act as Trustee of the Trust Deed in place of J.P. Morgan Trustee Ltd. (the *Existing Trustee*).

Pursuant to Clause 2.1 of the Supplemental Trust Deed, the Existing Trustee has duly given notice of its wish to retire in accordance with Clause 28 of the Trust Deed and was discharged as Trustee by the Issuer, in exercise of the power given to it in Clause 27 of the Trust Deed.

This Notice is given pursuant to Clause 27 of the Trust Deed of the appointment of the Replacement Trustee as Trustee under the Trust Deed.

Issuer: CARLSBERG FINANS A/S
Dated 1st March, 1999

Citibank, N.A.
Principal Paying Agent

CITIBANK

Classified information.

For more information on Classified Business Advertising in the FT call: Tel: +44 171 873 4874 Fax: +44 171 873 3064

GOVERNMENT BONDS THE BOND MARKET APPEARS TO HAVE BEEN LENDING A HAND TO FEDERAL RESERVE CHAIRMAN ALAN GREENSPAN

Treasuries respond to hints on tightening

By Florian Gimbel

Over the past six months, Alan Greenspan, chairman of the US Federal Reserve, has been trying to rein in the booming US economy, largely by talking down the equity market. But his words seem to have fallen on deaf ears, as stocks have continued to soar and as consumer spending – the engine of recent US growth – has climbed to unprecedented heights.

Now Mr Greenspan appears to be encouraging the US government bond market to do the job of monetary tightening for him. US Treasury yields rose sharply last week in response to Mr Greenspan's Humphrey-Hawkins testimony, in which he hinted at a possible reversal of last year's interest rate cuts.

The sharp sell-off in Treasuries has led some observers to believe that this marked the end of the current low-yield environment. Yet these worries could prove to be over-done. To be sure, US long bond yields have followed a downward trend over the past 20 years, with every trough less deep and every peak less high than previous ones.

According to Michael Rosenberg, at Merrill Lynch in New York, there have been two important factors at work: "Inflation has been trending down over the past 20 years, and there has been a huge improvement in the [US] government's fiscal position since the early 1990s, following 30 years of budget deficits," he said.

Others see that as part of a global trend. "Dealing in government bonds used to be fun because you knew governments would eventually screw up. But increasingly, governments around the world have realised they are the losing party, thus committing themselves to sound monetary and fiscal policies," said Jan Loeys, managing director at J.P. Morgan in London.

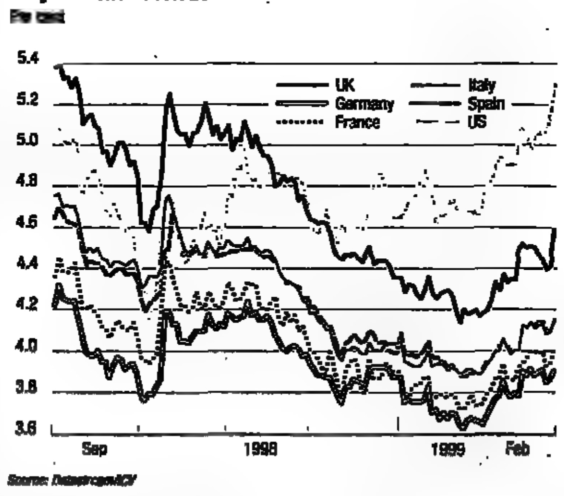
He thought a "stability culture" had evolved, in which central bankers were given the tools and the political support to achieve their goal – keeping inflation at close to 2 per cent.

More recently, the US bond market has benefited from a host of internal as well as external factors. Last year's emerging markets crises, for example, were a blessing in disguise for the US, as the economy benefited from cheaper imports and lower commodity prices. Domestically, structural factors have improved.

"Both labour and capital productivity had significantly improved at the end of last year; the natural rate of unemployment may be lower than previously assumed; and the nominal wage inflation has not gone beyond the productivity level," said Giles Keating, at Credit Suisse First Boston in London. He emphasised that bond prices were also benefiting from a "supply squeeze", with the government's budget surplus substantially reducing the public refinancing requirement.

Yet analysts agreed that last year's benign external forces appeared to have subsided. "Emerging markets in Asia seem to be in recovery mood and world commodity prices appear to have bottomed out," said Mr Keating. But he deemed the global upswing "sufficiently soft".

10-year benchmark bonds
Per cent



Source: Datastream/ICV

"The external factors have moved from highly favourable to neutral," he said.

The rise in Japanese government bond yields has been another source of concern, as fears of a repatriation of Japanese funds from the US heightened.

Many analysts have remained rather sanguine, as they expect Japanese investors to return at the beginning of the next fiscal year in April, but these analysts also conceded that it was not yet clear how the Japanese government would finance its growing budget deficit. Hence supply concerns and higher JGB yields may continue to haunt both the Japanese and the US bond market.

None the less, most market observers shared the view that US Treasury yields would not break out of their historical downward trend.

"The recent sell-off is nothing more than the market's anticipation of monetary tightening," said Mr Rosenberg. He added that the Fed funds future contract now implied a 20 basis point interest rate rise. Until then, he expected the US long bond yield to go as high as 5.75 per cent.

Negative expectations of short-term interest rates may thus continue to weigh on the bond market, but the other essential determinants of the US yield curve appear to be well in place.

"Inflation as well as [bond] supply still look highly favourable," said William Dudley, chief US economist at Goldman Sachs in New York. He emphasised the market's immense confidence in the Federal Reserve being yet another reason behind the low inflation, low yield environment.

"For the time being, the bond market appears to lend Greenspan a helping hand in tightening monetary policy. Higher yields take the gloss off the stock market, push up mortgage rates, make corporate issuance more costly, and strengthen the dollar. All of which delivers the necessary dampening effect," said Mr Keating.

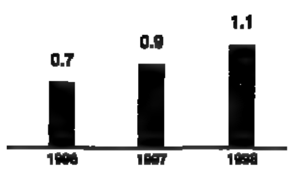
However, most analysts expected Mr Greenspan to resort to an outright rise in interest rates later in the year, particularly if US retail sales remain strong. Friday's revised fourth-quarter gross domestic product figure showed a stunning 6.1 per cent growth. With statistics like that, interest rates can only go one way.

SOCIÉTÉ GÉNÉRALE GROUP
1998 results : 135th profitable year

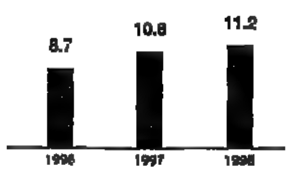
"The 1998 results, which were obtained in a difficult international climate, confirm the strength of the Group's fundamentals and the dynamic growth trend in Group profitability."

Daniel Bouton, Chairman and CEO

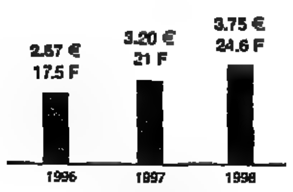
Net income of EUR 1.1 billion (FRF 7 billion), up 15.2%



Consolidated net income
(in euros billion)



ROE (Return on Equity) (%)



Dividend payment

The 1998 annual results of Société Générale are available on the Internet : http://www.socgen.com

Growth in activity

Gross operating income totalled EUR 2.4 billion, an increase of 12.5% compared with 1997.

Retail Banking: results and profitability grew strongly (ROE of 15%). In France, the Société Générale and Crédit du Nord networks continued implementing their active policy of developing their franchise, with 5 million individual customers, (+3% per year). Their share of the total market for deposits is 8.6%, a figure which is rising steadily. The Group has a strong presence outside France, with 1.3 million individual accounts held in 18 banks, following the recent acquisitions of Westpac in New Caledonia and the Romanian Development Bank.

Asset Management and Private Banking: net income rose by 40%, due to a strong growth in activity. Total assets under management have doubled over the last two years (EUR 150 billion at year-end 1998, of which EUR 28 billion in private banking), partly due to selective acquisitions (Yamaichi, Hambros).

Commercial and Investment Banking: within the Investment Banking division, the Equity and Advisory business line produced a remarkable performance, notably in Equity Derivatives, where the Group is a world leader. However, fixed income activities were affected by the financial crisis and Russian risk. The financing business recorded a strong performance in structured finance (project finance and leverage finance). In contrast, plain-vanilla commercial banking activities suffered from the impact of provisioning for Asian risk. The process of adjusting the International network is currently underway and the policy of reducing commitments was maintained.

Reinforced Risk Provisioning

Commitments on the five countries at risk in Asia (South Korea, Thailand, the Philippines, Malaysia, and Indonesia) were reduced by 36% and provisions were reinforced. With provisions of EUR 549 million booked in 1998, the risk coverage ratio on these countries rose from 10% to 27%.

Commitments on Russian counterparties, which amount to USD 341 million, were fully provisioned for.

The provisioning requirements for retail banking activities fell by 28%, due to a favourable economic environment and tighter risk control.

Growth in net income, return on equity and net earnings per share

Group net income came out at EUR 1,073 million, up 15.2% compared with 1997, after recognising:

- Capital gains made on the industrial equity portfolio (EUR 666 million, a rise of 29% against 1997).

- Capital gains generated by the disposal of subsidiaries which did not fit into the Group's core businesses (CIB, Allium and SG2), which amounted to EUR 176 million and were used to reinforce the prudential general reserve, with a total additional allocation of EUR 198 million.

- Provisions booked for restructuring costs relating to the International network and for the year 2000 (EUR 93 million).

Return on equity came out at 11.2%, up from 10.6% in 1997. Net earnings per share were EUR 10.73 (FRF 70.40), compared with EUR 9.67 (FRF 63.40) in 1997, a rise of 11%.

These figures do not take account of the provision for restructuring costs relating to the integration of Société Générale and Paribas, which will be booked in the 1998 financial statements if the public share exchange offer made by Société Générale for Paribas shares is successful (EUR 398 million after tax). After recognising this provision, Group net income will come out at EUR 675 million.

Reinforced capital base

Total equity stood at EUR 11.8 billion, for a Tier-1 ratio of 6.54%, slightly above the level seen at December 31, 1997.

Dividend payment up 17%

The dividend payment proposed to the Annual General Meeting will amount to EUR 3.75 per share (EUR 5.63 with the tax credit, or FRF 36.90), up 17% against the previous year.

This document is for information only ; it does not constitute an offer of shares of Société Générale for sale in the United States of America, Canada, Australia or Japan, or an extension of the above-mentioned public exchange offer in such countries.

The shares of Société Générale to be issued pursuant to the public exchange offer have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the Securities and Exchange Law of Japan, as amended and, consequently, may not be offered or sold in the United States of America or Japan in the absence of such registration or an appropriate exemption therefrom.

SOCIETE GENERALE
GROUP

For further information, please consult our Investor Relations department in Paris on + 33 1 42 14 54 78

NEWS DIGEST

ELECTRICAL EQUIPMENT

New Schneider chairman announces cuts of FFr2bn

Henri Lachmann marked his first public appearance as chairman of Schneider, the French electrical equipment maker, by announcing a FFr2bn (€305m, $335m) cost-cutting programme aimed at lifting its operating margin by 2 percentage points within three years. The move came as the company announced a 22 per cent advance in annual profits while sounding a cautionary note on the outlook for 1999.

Net income for 1998 climbed to FFr2.68bn on sales of FFr50bn, against FFr2.2bn on sales of FFr47.4bn the previous year. Operating income rose 12.6 per cent to FFr5.6bn, with earnings per share up 17.5 per cent at FFr17.77. A net dividend of FFr7.54 a share, up 16 per cent, is proposed.

Mr Lachmann said planned cost cuts would concern "every department, division and country in the group" and were aimed at making the company more agile and proactive. The company said it had signed a preliminary agreement on selling its last property holdings and would focus on electrical activities. To mark this, it plans to change its name to Schneider Electric. **David Owen, Paris**

CASINOS

Genting profit drops 46%

Genting, operator of Malaysia's only casino, reported a 46 per cent drop in net profit to M$414.3m (US$109m) for the year to end-December. The group, which is also involved in the hotel and plantations businesses, has held its own better than many other Malaysian companies struggling through the Asian recession. Its revenues fell 11 per cent to M$3.37bn. **Sheila McNulty, Kuala Lumpur**

ELECTRONICS

Oki Electric issues warning

Oki Electric, the Japanese manufacturer of terminals for automatic teller machines and other data processing equipment, has warned on profits for this year. Oki's downward revision of earnings followed close on the heels of recent reports of huge losses at other Japanese electronics manufacturers, including NEC, Toshiba and Mitsubishi Electric.

It expects sales of Y685bn ($5.8bn) against an earlier estimate of Y735bn for the year to March. Oki saw its pre-tax loss before exceptionals up from Y33bn to Y49bn. **Alexandra Nusbaum, Tokyo**

SECURITIES

Sanctuary to link with US group

Sanctuary Group, the UK media concern that manages Iron Maiden, is to set up a joint venture with Global Entertainment Capital, the US investment bank that specialises in securitisation deals and arranged the $30m Iron Maiden securitisation. The company will concentrate on bringing new securitised assets to the market. Sanctuary will own 25 per cent of the venture, GEC 50 per cent and the rest will be held by outside investors. **Khozem Merchant**

OIL INDUSTRY

Elf falls in 'bad year'

Elf Aquitaine, the French oil company, has reported a near 37 per cent drop in annual profits in a result it said demonstrated its new capacity to resist an adverse economic climate. After a year described by Philippe Jaffré, chairman, as "a bad year for the oil and gas industry", the group posted consolidated net income of FFr3.54bn (€540m, $593m), down from FFr5.6bn in 1997. The group posted a net operating loss of FFr844m from oil exploration and production. This included nearly FFr4bn of special items stemming partly from the depreciation of certain assets, notably in the Congo. Net operating profit from chemicals edged up to FFr2.64bn while profits from health rose strongly to FFr2.03bn. **David Owen**

CLEANING SERVICES

ISS plunges 53%

Denmark-based ISS, the world's largest cleaning services company, said on Friday last year's net profit had plunged by 53 per cent to DKr211m ($31m). In 1997, one-off items had boosted net profit to DKr451m. Operating profit showed a 15 per cent advance to DKr735m.
Clare MacCarthy, Copenhagen

CHEMICALS

Earnings warning from DSM

DSM, the Dutch chemicals group, has warned that tough conditions in key emerging markets would have a "substantial" impact on its first-quarter earnings. The company, presenting its 1998 results, said economic prospects for the current year were highly uncertain, and cited expectations of slower economic growth in Europe and the US as well as developments in south-east Asia, Japan, Russia and Latin America.

DSM said it "expects its results for the first quarter of 1999 to be substantially lower" than last time, owing to a poor showing by its polymers and industrial chemicals division. Last year, net profits rose 4.9 per cent to Fl 914m (€415m, $456m) on sales of Fl 14bn, an increase of 13 per cent. **Jeremy Gray, Amsterdam**

WATCHES

Swatch income rises 8%

Swatch, the world's biggest watch manufacturer, has shrugged off the drop in Asian demand for luxury watches and increased its 1998 net income by 8 per cent, to SFr357m ($246m). Net sales rose 7 per cent, to SFr3.2bn.
William Hall, Zurich

CONSTRUCTION

Skanska in sell-off plan

Skanska, Sweden's largest construction company, announced a strong rise in operating profits and said it was to sell its European building component operations as part of its strategy to concentrate on core construction activities. In the 12 months to December, the company reported an operating profit of SKr4.38bn ($533m) on sales of SKr63.94bn, up from SKr796m on sales of SKr49.58bn a year earlier. Pre-tax profits fell from SKr10.11bn to SKr4.83bn, with 1997 figures including a profit of about SKr9bn from the sale of its stake in Sandvik.
Nicholas George, Stockholm

LIFFE CONNECT™
LIFFE's New Electronic Trading Platform

MARKETS WEEK

March 1 - March 7

LIFFE CONNECT™
LIFFE's New Electronic Trading Platform

NEW YORK

By Tracy Corrigan

The more bearish tone of the bond and stock markets appears set to continue, amid fears that the Federal Reserve is moving towards a tightening of policy.

Analysts expect the US long bond yield to trade in a 5.5 to 6 per cent range, following the market's recent weakness.

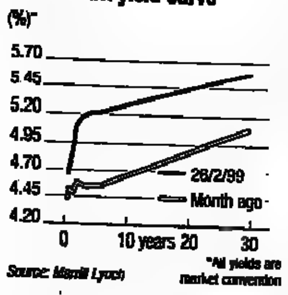
The 30-year bond yield ended the week at about 5.6 per cent, despite the market's slight recovery on Friday, compared with a low last October of 4.76 per cent.

"Long-term Treasury benchmarks are struggling to find a new centre of gravity in a 5.5 to 6 per cent range," according to Salomon Smith Barney. "In part, this shift reflects diminishing expectations for a new round of global contagion and flight from risk. More importantly, the US economy maintains unexpected momentum."

Analysts at ABN Amro predict the outlook for inflation will be a significant factor for the bond market in the coming months, but add that a spike is unlikely if import prices decline further and corporate cost constraints are maintained.

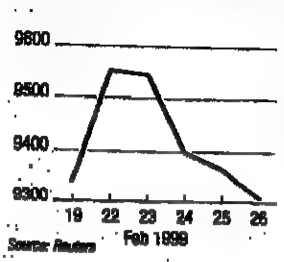
Among this week's data are personal incomes on Monday, which are expected to have risen 0.4 per cent in January.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

The Bank of England's monetary policy committee will hold the market's fate in its hands once again as it decides whether to alter UK interest rates.

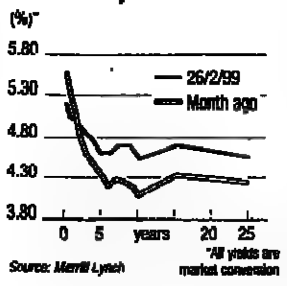
February's minutes suggested the committee might push for further rate cuts but some analysts think that with the Budget close by and some pickup in recent economic data, the MPC will leave policy unchanged.

Any waverers on the committee may be influenced by the first statistic of the month – the purchasing managers' index of manufacturing activity, which has shown consistent weakness for the past year. Also released today will be consumer credit figures for January, which HSBC expects will show an increase to £1bn from December's £700m, in line with the rebound in retail sales.

Later in the week, a broader picture of the economy will come from the purchasing managers' services survey and the Confederation of British Industry distributive trades survey.

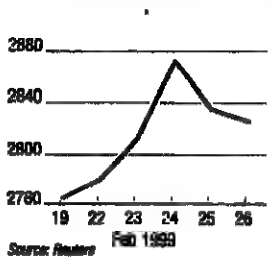
Companies reporting results this week include English China Clays, Rolls-Royce, United News & Media and Norwich Union.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share Index



Source: Reuters

FRANKFURT

By Tony Barber

Investors disappointed with the German stock market's off-colour performance so far this year are unlikely to have much to cheer about this week.

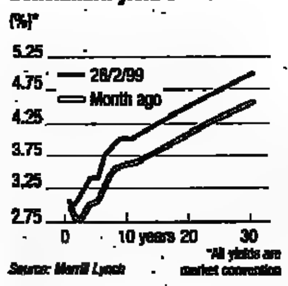
Apart from persistent worries that the US equity market is overvalued, there is a gathering consensus that a US interest rate rise is on its way. German share prices, sensitive as ever to US developments, are bracing themselves for the inevitable damping effect.

By contrast, few analysts expect the European Central Bank to cut euro-zone interest rates when its governing council meets on Thursday. Domestic German factors are also playing their part in keeping a lid on the Dax 30 index of blue-chip stocks.

According to Landesbank Rheinland-Pfalz, investors are concerned about the negative impact on 1999 company earnings of the roughly 4 per cent wage increase won by engineering workers in the IG Metall trade union.

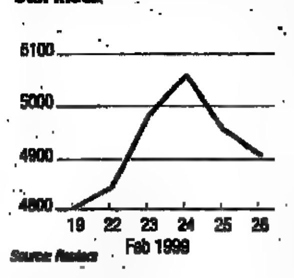
However, economists are confident that German consumer spending will remain strong this year and exporters will benefit from the euro's weakness, providing firmer support for the Dax as the year progresses.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

TOKYO

By Paul Abrahams

The Tokyo equity market has stood up surprisingly well to a rolling barrage of profits warnings in the past fortnight from some of Japan's leading blue-chip companies.

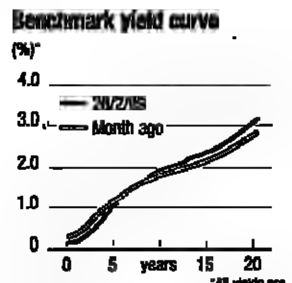
It also seems to have been able to absorb large-scale selling of cross-shareholdings by industrial and banking groups, and some extraordinary volatility in the yen-dollar market. The benchmark Nikkei 225 index ended last Friday at 14,367, up 269 points on the week.

However, questions remain whether the market has adequately priced the full scale of the profits downgrades that are likely to be announced in the weeks before the end of the financial year on March 31.

It may also have underestimated the volume of unwinding of cross-shareholdings needed to cover operating losses. In addition, a number of stocks have jumped excessively on restructuring announcements, which by western standards appear inadequate to meet their companies' financial targets.

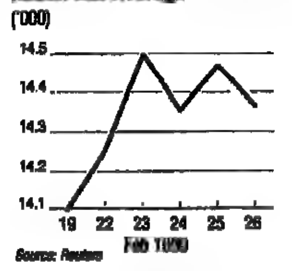
The value of the Japanese currency will also be paramount, given the yen's sharp moves in both directions against the US currency.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

COMPANIES DIARY

EDITED BY MARTIN BRICE

Hays expected to benefit from the personnel touch

The spring reporting season is in full swing, and will provide investors with information on a whole gamut of sectors. One area providing a higher-than-average rate of growth is support services, where Williams, Hays and Rentokil Initial publish results.

TODAY

● Expectations for final figures from Burmah Castrol have fallen steadily during the past year. Investors focused initially on sterling strength and economic turmoil in east Asia, and later on the impact of a slowing in western economies. This has led to the shares underperforming by almost 25 per cent in the past three months. Williams de Broë expects the oils and chemicals company to produce pre-tax profits of £242.4m ($388m), down from £279.7m for the equivalent period. This is at the top end of the market range, which is from £230m-£255m. The broker also expects the company to release with the results details of its return of £250m to shareholders.

● Recent figures from Select Appointments showed continuing strength in the personnel consultancy industry and this is likely to appear in interim results from Hays. There will be much interest in any comments on prospects and the sustainability of its record of strong growth in the more difficult economic environment. Williams de Broë expects Hays to produce interim pre-tax figures ahead 26 per cent at £111m (£88.3m).

● Specialist engineer Mayflower is likely to take the opportunity of providing the the first progress report on last autumn's £269m cash acquisition of Dennis, the bus chassis maker. Merrill Lynch expects a pre-tax result of £40.8m, up from £33.3m.

TUESDAY

● The dynamics of the UK cigarette market will be a focus when Gallaher reports, and in particular if it has suffered from a trend towards cheaper cigarettes. First Call gives a consensus figure of £315.4m (£337m).

● Pre-tax operating profit from Norwich Union, the insurance group, is expected by BT Alex Brown to be ahead 8 per cent at £700m, helped by a 10 per cent rise in life profits.

● The issue for shareholders in Rentokil Initial is whether the company has regained its self-imposed target of 20 per cent earnings growth, which it narrowly missed at the interim stage. While some brokers expect the target to be achieved at the final stage, Henderson Crosthwaite forecasts an 18 per cent earnings rise. BT Alex Brown expects an 18 per cent advance in pre-tax profits to £491m.

WEDNESDAY

● Deflationary pressures on suppliers to the automotive industry are likely to have taken their toll on GKN, although this may have been offset by growth in its pallets business. A consensus of forecasts from IBES, the estimates service, suggests the company will produce an 11 per cent rise to £449m.

● When Cookson, the specialist engineer, reports final figures, an important issue is likely to be whether the problem areas of steel and electronics are improving. Merrill Lynch expects a fall from £179m to £145m.

THURSDAY

● An important issue for shareholders in Rolls-Royce will be whether the aerospace and industrial power group has achieved its target of double-digit earnings growth in the face of the erosion of margin on new engines. This is likely to have been offset by the growing number of installed engines, which is providing a stream of revenues for spares. Analysts expect the company to produce pre-tax results of some £323m, up from £275m.

● The recent acquisition by Williams, the security and fire protection group, of Guardforce of Hong Kong for £75m has strengthened its presence in the Asia-Pacific region and focused attention on its services side, which is expected to produce a strong performance. Analysts' forecasts are in a range of £300m-£304m for the underlying result, which compares with the £265m last year.

Ronnie Frost, Hays' chairman: strong growth in difficult times

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Potans CLMT, 99-1(a)‡	1.5bn	-	-	100.00	-	-	Lehman Brothers/SG
Nafinsa, Gd Cayman Branch	300	Mar 2002	9.75§	99.581R	9.875	+463(Feb02)	Barclays/Bear Stearns
SGZ-Bank(b)‡	250	Feb 2004	(b1)	99.845R	-	-	Deutsche/Lehman Bros
DSL Bank(c)	250	Jan 2004	5.125	98.158R	5.563	+52(4¼Feb04)	Deutsche/Nomura Intl
Federal Home Loan Bank★	3bn	Feb 2002	5.125§	99.835R	5.185	+32(W 2yr)	Salomon Smith Barney
GTFC HEL 1999-A(n)★	1.2bn	-	-	-	-	-	Merrill Lynch
Bear Stearns Companies	750	Mar 2004	6.15§	99.809R	6.195	+118(Feb04)	Bear Stearns & Co Inc
Oest Kontrollbank	150	Mar 2000	zero	95.209	5.032	-	Nomura International
CART 1999-1(u)	2.627bn	-	-	-	-	-	CSFB/Merrill Lynch
World Bank	1bn	Mar 2002	5.25	99.703R	5.360	+30(WI 2yr)	ABN Amro
CHELT 1999-1(v)	650	-	-	-	-	-	Bear Stearns
Statoil AS	375	Mar 2009	5.75	98.675R	5.929	+72(4¾Nov08)	Warburg Dillon Read
Barclays Bank plc(w)‡	350	Apr 2009	(w1,s)	99.904R	-	-	Barclays Capital
Inter-American Dev Bank(x)	250	Feb 2001	5.125§	99.61R	5.335	+33(4¼Jan01)	Goldman/Warburg DR
Deutsche Apo-& Aertzebank‡	300	Mar 2004	(y)	99.975R	-	-	ABN Amro/Barclays
Credit Local de France(z)	100	Mar 2009	(z1)	100.00R	-	-	Morgan Stanley DW
Federal Home Loan Bank★	4bn	Mar 2001	5.375§	99.938R	5.408	+25(5⅝Feb01)	Salomon Smith Barney
HCF (1) Ltd(A)	675.2	-	-	-	-	-	Merrill Lynch Intl
Israel Electric Corp	500	Mar 2009	7.75§	99.897R	7.785	+248(Nov08)	Salomon Smith Barney
FCC-National Bank(E)‡	200	Mar 2004	(E1)	99.82R	-	-	Merrill Lynch Intl
Abbey National plc(F)	150	undated	7.10(q)	100.00	-	-	Goldman Sachs Intl
LB Baden-Wuerttemberg(G)	100	Mar 2009	(G1)	99.90R	-	-	Barclays Capital
Dresdner Bank	75	Mar 2001	4.50	98.11	5.524	+40(5⅝Feb01)	Dresdner KB
World Bank(L)★	250	Mar 2004	6.115§	100.00	-	-	Lehman Brothers
World Bank(M)★	250	Mar 2004	6.153§	100.00	-	-	JP Morgan Securities
Islandsbanki‡	100	Mar 2004	(N)	99.695R	-	-	Chase Manhattan Intl
STERLING							
Scottish & Southern Energy	250	Sep 2022	5⅞(s)	99.092R	5.95	+130(8-2021)	Merrill/Warburg DR
BG plc	200	Dec 2009	5⅜(s)	98.582R	5.657	+93(5¾Dec09)	6 NatWest/RBC
SWISS FRANCS							
City of Yokohama	115	Mar 2009	3.25	102.35	-	-	CSFB/IBJ
Ned Waterschapsbank	200	Mar 2007	2.50	101.15	-	-	Paribas
AUSTRALIAN DOLLARS							
Export Development Corp	100	Mar 2009	5.25	99.25	-	-	RBC DS Global Markets
CANADIAN DOLLARS							
Toyota Credit Canada	100	Mar 2004	5.375	99.20R	5.563	+40(5¼Sep03)	TD Securities
GE Capital Canada	100	Mar 2004	5.375	99.50R	5.492	+21(5¼Sep03)	TD Securities
GREEK DRACHMA							
Merrill Lynch & Co Inc	10bn	Mar 2009	6.00	99.25r	6.102	-	Merrill Lynch Intl
CZECH KORUNA							
European Investment Bank	3bn	Mar 2009	8.20	100.00	8.200	-	Commerzbank
SOUTH AFRICAN RAND							
African Development Bank	300	Mar 2000	14.50	100.00R	14.50	-	TD Securities
NORWEGIAN KRONER							
Nordic Investment Bank	450	Mar 2004	5.00	101.065	-	-	Svenska HB
EUROS(e)							
Westpac Banking Corp‡	500	Mar 2004	(d)	99.742R	-	-	Paribas/Warburg DR
CSC‡	300	Sep 2000	(g)	99.985R	-	-	CIBC/Tokyo-Mitsubishi
Nordic Investment Bank(f)	250	Mar 2001	4.125	99.835R	4.251	+15(f)	SB
Banca Popolare Bergamo(h)	50	Mar 2004	(h1)	100.00	-	-	DG Bank
B Popolare de Brescia(i)‡	50	Feb 2002	(i1)	99.949R	-	-	Morgan Stanley DW
Core 1999-1(k)	2.464bn	-	-	100.00	-	-	Deutsche Bank
BNL International Lux‡	750	Mar 2004	(n)	99.695R	-	-	ABN Amro/Warburg DR
DaimlerChrysler NA America	800	Mar 2004	3.50	99.634R	3.581	+33(3½Nov03)	ABN Amro/Deutsche
Crédit Local de France(f)	560	Jul 2004	3⅝(s)	99.99R	3.625	+28(3½Jul04)	Commerzbank/SG
Colinoga‡	300	Mar 2006	(o)	99.81R	-	-	Lehman Brothers
Republic of Croatia	300	Mar 2006	7.375	99.61R	7.449	+375(6Feb06)	CSFB/Dresdner KB
De NIB	250	Dec 2004	3⅞(s)	99.665R	3.89	+20(7½Nov04)	ING Barings-BBL
Deutsche Finance Hellas(t)‡	250	Feb 2004	(t1)	99.79R	-	-	Deutsche Bank
Morgan Guaranty Trust Co	500	Mar 2009	4.375	99.857R	4.393	+53(3¾Jan09)	JP Morgan Securities
Republic of Turkey	500	Mar 2004	9.50	99.50R	9.631	-	Deutsche/Paribas
Sodexho Alliance(f)	300	Mar 2009	4.625	99.16R	4.732	+80(l)	Banque CPR
Travelers Ins Co Inst Fndg	300	Mar 2009	4.50	99.816R	4.823	+67(3¾Jan09)	Salomon Smith Barney
Finmeccanica(A)‡	300	Mar 2002	(A1)	100.00R	-	-	Merrill Lynch Intl
National Australia Bank‡	300	Mar 2001	(B)	99.978R	-	-	Salomon Smith Barney
City of Copenhagen	75	Mar 2003	2.50	98.75	-	-	Hypovereinsbank
Port of Rostock(C)	60	Mar 2009	9.875	99.23	-	-	Merrill Lynch Intl
Crédit Local de France‡	1bn	Mar 2001	(H)	100.00R	-	-	CAI/CCF Charterhouse
CAM Global Finance‡	260	Mar 2004	(J)	99.847R	-	-	ABN Amro
UBS AG(K)	150	Jan 2006	3.50	98.50	3.750	-	Warburg Dillon Read
Norddeutsche Landesbank	100	Dec 2013	4⅛(s)	93.693	-	-	Banco Central Hispano
Union Bank of Estonia(P)‡	50	Mar 2002	(P1)	100.00	-	-	Lehman Brothers

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ф With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Commercial Loan Master Trust. 7-tranche asset backed. b) Fungible with $500m. Plus 7 days accrued. b1) 3-mth Libor +12½bp. c) Fungible with $500m. Plus 48 days accrued. d) 3-mth Euribor +6¼bp. e) Spread relates to German government bonds unless stated. f) Spread relates to French govt bonds. g) 3-mth Euribor flat. h) Callable on 15/3/01 at par. h1) 3.7% in yrs 1-2, then 4.1%. i) Over interpolated yield. j) €150m launched 15/2/99 was increased to €200m. i1) 3-mth Euribor +20bp. k) 12-tranches (9€ & 3$) secured on corporate loans originated by Deutsche Bank. l) Long 1st coupon. m) Green Tree Financial Corp, Home Equity Loans. 12-tranches. n) 3-mth Euribor +18¾bp. o) 3-mth Euribor +25bp. p) Offentliche Pfandbriefe. q) Quarterly. r) Recommended reoffer. s) Short 1st coupon. t) Fungible with €500m. Plus 7 days accrued. t1) 3-mth Euribor +6¼bp. u) Capital Auto Receivables Trust. 4-tranche asset-backed. v) Contimortgage Home Equity Loan Trust. 6-tranche asset-backed. w) Callable on 15/4/04 at par. w1) 3-mth Libor +45bp to Apr 04, then +95bp. x) Fungible with $1bn. Plus 11 days accrued. y) 3-mth Libor +15bp. z) Callable annually from 12/3/00 at par. z1) 8% in yr 1, then 6%. A) Issued via Asterisque SA Lux. A1) 6-mth Euribor +70bp. B) 3-mth Euribor flat. C) Amortises after 5 yrs in 6 equal annual instalments. Callable from 4/3/04 at 105% falling 1%pa. D) Harbour City Funding. 4-tranche deal backed by HK commercial mortgages originated by Wharf (Holdings). E) Callable from 11/3/02 at par. E1) 3-mth Libor +10bp. F) Callable from Mar 04 at par. G) Callable on 16/3/00 at par. G1) 8⅛% to 16/3/00, then 6%. H) Eonia +5bp. J) 3-mth Euribor +12½bp. K) Fungible with €300m. Plus 43 days accrued. L) Callable on coupon dates from 10/3/00 at par. M) Callable on coupon dates from 10/3/00 at par. N) 3-mth Libor +25bp. P) Puttable on 13/3/00 & 01 at par. P1) 6-mth Euribor +350bp. Note: Yields are calculated on ISMA basis.

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	102½	101½	Acorn Income Fd	101½		-	-	-	-
-	F.P.	15.0	100	90	Close Bus Dev VCT	100		-	-	-	-
-	F.P.	60.1	103½	99¾	Enhanced Zero Tst	100½	–½	-	-	-	-
-	F.P.	38.2	7½	7	Gander Properties	7¼		-	-	-	-
§	F.P.	46.8	100¾	94¾	Jupiter Enhanced	98¾	–½	-	-	-	-
§	F.P.	47.9	110	103¾	Do Zero Div Pft	108		-	-	-	-
-	F.P	-	322½	255	Lumirar Warrants	322½	+57½	-	-	-	-
-	F.P.	5.87	109¾	107½	†IIBA Quantum	109¾		W-	-	-	11.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
10	Nil	16/3	1½pm	1¼pm	Bancote	1¼pm	
78	Nil	10/3	25pm	18½pm	Peptide Therapeutics	21½pm	+2½

pm premium.

FTSE GOLD MINES INDEX

	Feb 26	% chg since 31/12/98	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (28)	871.43	–6.7	28.85	100.00	2.10	877.95	1351.57	701.58
Regional Indices								
Africa (9)	932.83	–5.9	7.63	26.46	4.44	947.11	1488.04	765.63
Australasia (9)	1073.93	–8.0	4.21	14.58	2.78	1085.83	1600.53	815.93
Americas (11)	821.74	–6.8	17.01	58.96	0.88	824.36	1317.41	647.69

Copyright, FTSE International Limited 1999. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

STOCK INDICES

	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	1999 High	1999 Low	Since comp. High	Since comp. Low
FTSE 100	6175.10	6206.50	6307.60	6155.20	6069.90	6307.60	4648.70	6307.60	986.90
FTSE 250	5248.30	5226.10	5220.20	5186.40	5180.70	5988.80	4251.20	5988.80	1379.40
FTSE 250 ex IT	5274.30	5247.90	5237.70	5204.90	5206.10	6038.80	4295.80	6038.80	1378.30
FTSE 350	2923.60	2934.30	2974.40	2910.40	2875.70	2974.40	2233.50	3045.40	664.50
FTSE SmallCap	2277.33	2271.39	2268.53	2263.36	2255.55	2868.09	1834.49	2868.09	1363.79
FTSE SmallCap ex IT	2245.51	2239.01	2236.12	2232.36	2226.93	5554.18	1815.83	5554.18	1363.79
FTSE All-Share	2825.39	2834.90	2871.61	2812.38	2779.97	2885.17	2166.07	2885.17	61.92
FTSE Fledgling	1243.66	1240.53	1238.94	1237.12	1231.33	1517.11	1046.17	1517.11	31.14
FTSE Eurotop 100	2804.45	2824.47	2881.07	2845.01	2808.90	3065.91	2049.91	3065.91	2044.47
FTSE Eurotop 300	1243.58	1229.11	1249.92	1235.39	1221.53	1327.68	893.55	1327.68	874.09
FT 30	3760.30	3771.40	3793.10	3722.90	3687.30	3904.00	2806.80	3904.00	49.40
FT Govt Securities	113.64	113.90	114.97	115.32	114.72	117.17	93.31	141.84	49.18
FT Fixed Interest	154.99	155.55	156.47	156.65	158.16	158.89	115.32	158.89	50.53
FTSE Gold Mines	871.43	883.75	883.73	889.75	903.77	1351.57	701.58	2074.81	701.58

UPM

SUMMONS TO THE ANNUAL GENERAL MEETING

The shareholders of UPM-Kymmene Corporation are hereby summoned to the Company's Annual General Meeting to be held on Tuesday, 23rd March 1999 at 3.00 p.m. at the Helsinki Fair Centre, address: Rautatieläisenkatu 3, Main Entrance, FIN-00520 Helsinki. The names of the participants will be checked and the voting slips issued as from 2.00 p.m.

The following matters will be dealt with at the meeting:

1. The matters to be dealt with at the Annual General Meeting in accordance with Article 11 of the Company's Articles of Association.

2. The Board of Directors' proposal to reduce the share capital.

The contents of the proposal are as follows:

The aim of reducing the share capital is to invalidate the Company's own shares held by the Company.

The share capital of the Company, FIM 2,776,060,690, will be reduced by FIM 127,620,820.

The share capital will be reduced by invalidating the Company's own shares held by the Company without payment.

The number of shares will be reduced by 12,762,082.

The invalidation will concern only the Company's own shares held by the Company.

The purchase price of the shares will be deducted from the distributable shareholders' equity. The restricted shareholders' equity of the Company will not be reduced, since the nominal value of the invalidated shares will be transferred from the share capital into a premium fund.

The reduction of the share capital will not affect the distribution of share ownership and voting power in the Company, since the shares to be invalidated are in the possession of the Company.

3. The Board of Directors' proposal to convert the Company's shares into no par value shares, to redenominate the Company's share capital into the euro currency, and to amend Article 3 of the Articles of Association to read as follows:

"The minimum share capital of the Company shall be 250,000,000 euros and its maximum share capital 1,000,000,000 euros, within the limits of which the share capital may be raised or lowered without amending these Articles of Association.

The minimum number of the Company's shares shall be 150,000,000 and the maximum number of the shares 600,000,000, within which limits the number of shares may be increased or decreased without amending the share capital and the Articles of Association.

The Company's shares shall be included within the book-entry system for securities.

The right to receive monies distributed by the Company and the subscription right in conjunction with an increase of the Company's share capital shall be restricted to:

1) persons who, at the record date, are entered as shareholders in the list of registered shareholders;

2) persons whose right to receive payment is, at the record date, entered into the book-entry account given in the list of registered shareholders and also entered separately in the list of registered shareholders; or

3) if the share is registered in the name of a nominee, the person in whose book-entry account the share is entered at the record date and whose nominee is entered in the list of registered shareholders as the nominee at the record date.

4. The Board of Directors' proposal that the Annual General Meeting decide to purchase the Company's own shares using distributable funds on the following terms:

The Company's own shares shall be purchased for use as payment when the Company acquires property pertaining to its business operations, and as payment in any possible corporate acquisitions and in eventual listing on foreign Stock Exchanges in the manner and to the extent decided by the Board of Directors.

No less than 200 shares and no more than 13,200,000 shares shall be purchased.

The shares shall be purchased other than in proportion to existing shareholdings through public trading on the Helsinki Stock Exchange.

The shares shall be purchased at the market price quoted for them in public trading at the moment of purchase. The purchase price of the shares shall be paid to the sellers within the payment time specified in the rules of the Helsinki Stock Exchange and Finnish Central Securities Depository Ltd.

The shares shall be purchased other than in proportion to existing shareholdings, since the Company's shares are publicly traded on the Helsinki Stock Exchange and since it is intended that the shares will be purchased through public trading.

The purchase of the shares will reduce the distributable unrestricted shareholders' equity of the Company.

Since the maximum number of shares to be purchased will be less than 5% of the total number of the Company's shares and less than 5% of the total voting power carried by the shares, the purchase of the shares will not have a notable impact on the distribution of share ownership and voting power within the Company.

On 10th February, 1999 the total number of the Company's shares held by the inner circle of the Company according to the Companies Act was 52,128,724 shares out of a total number of 264,843,987 shares, representing 19.68% of the Company's share capital. Prior to the purchase of the Company's own shares, insiders hold 19.68% of the total voting rights conferred by the shares. Since it is intended that the own shares will be purchased through public trading on the Helsinki Stock Exchange without knowledge of the sellers, the insiders' portion of the Company's share capital and voting power after the purchase of own shares cannot be predetermined.

5. The Board of Directors' proposal that the Annual General Meeting authorise the Board of Directors to decide on the disposal of the Company's own shares purchased on the basis of the aforementioned decision on the following conditions:

The authorisation is limited to a maximum of 13,200,000 of the Company's own shares.

The Board of Directors is authorised to decide to whom and in which order the own shares will be disposed of. The Board of Directors may decide on the disposal of own shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares.

The shares shall be used as payment when the Company acquires property pertaining to its business activities and as payment in any possible corporate acquisitions and in eventual listing on foreign Stock Exchanges in the manner and to the extent decided by the Board of Directors.

The shares shall be disposed of at the market price quoted for them in public trading on the Helsinki Stock Exchange at the moment of their disposal.

This authorisation shall remain in effect for a period of one year from the date of the decision of the Annual General Meeting at which it was given.

Information

Copies of documents concerning the financial statements, the Board of Directors' proposals to convert the Company's shares into no par value shares, to redenominate the Company's share capital into the euro currency, to amend the Articles of Association, to reduce the share capital, to purchase the Company's own shares, and the proposal on the authorisation of the Board of Directors, as well as other documents required by the Companies Act may be inspected by the shareholders as of 15th March, 1999 at the Head Office of UPM-Kymmene Corporation (address given below). Copies of these documents will be sent to shareholders on request. Printed copies of the Company's Annual Report will be available as from the above mentioned date. The Report will be mailed to all shareholders registered in the list of the Company's shareholders maintained by Finnish Central Securities Depository Ltd.

Right to attend the Meeting

Shareholders who wish to attend the Annual General Meeting must be registered in the list of the Company's shareholders maintained by Finnish Central Securities Depository Ltd. no later than 18th March, 1999.

Shareholders whose shares have not been transferred into the book-entry securities system may also attend the Meeting provided that they were registered in the shareholders' list of Kymmene Corporation before 21st August 1992 or in the shareholders' list of Repola Ltd. before 28th February 1994, or that they have notified the Company and established their valid title and right to attend the Meeting. In this case the shareholders must present to the Meeting their share certificates or proof of their whereabouts, or other evidence that the title to the shares has not been transferred to a book-entry account.

Shareholders wishing to attend the Annual General Meeting shall inform the Company thereof in writing no later than by Friday, 19th March, 1999 at 12 noon to: UPM-Kymmene Corporation, Share Register, Eteläesplanadi 2, P.O. Box 380, FIN-00101 Helsinki, or by telephoning +358 (0)2041 50108 or +358 (0)2041 50109, or by faxing +358 (0)2041 50333. Written notices of attendance must arrive before the date and time given above. Possible proxies shall be submitted to the Company in connection with the notice of attendance.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of FIM 6.50 per share be paid for the year 1998. The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Finnish Central Securities Depository Ltd. at the record date. In accordance with the decision of the Board of Directors, the record date for the dividend payment is 26th March, 1999. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 1st April, 1999.

Dividends payable to shareholders domiciled abroad will be subject to tax at source.

Helsinki, 12th February, 1999

BOARD OF DIRECTORS

CURRENCIES & MONEY

Battle over policy

By Alan Beattie

The market this week will be on the alert for signs of monetary policy changes in the euro-zone and the US. The European Central Bank's governing council meets on Thursday with a very public battle over monetary policy continuing between Oskar Lafontaine, the German finance minister, and Wim Duisenberg, ECB president.

Some think Mr Lafontaine's rhetoric is counter-productive and merely increases the desire of the ECB not to be bounced into a rate cut before it considers the time is right. Recent falls in the euro will also weigh on minds as a de facto monetary loosening that might remove the immediate need for lower interest rates.

And with growth in the peripheral euro-zone, including Ireland, Spain and Portugal, well above that in Germany, the ECB has other countries to consider when making its decision.

With the interest rate futures markets pricing in barely any fall in euro interest rates in the near future, markets may well mark the currency down sharply if the ECB defies expectations and cuts rates. The decision may well come after European and London markets have closed, towards the middle of the US session.

In the US, February's non-farm payrolls, the key piece of labour market data, will be released on Friday, and will be eagerly awaited by a market keen to evaluate the next likely move in interest rates. Payrolls, which grew strongly in January, are expected to continue that performance into February.

Recent comments by Alan Greenspan, chairman of the Federal Reserve, have been seen by many as a softening-up of opinion for future rises in interest rates.

This would signal a move away from concerns with international market turmoil and liquidity problems towards the continuing strength of the US economy.

POUND SPOT FORWARD AGAINST THE POUND

Feb 26	Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 26	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index

WORLD INTEREST RATES

MONEY RATES

Feb 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone						–	3.00	3.00
week ago						–	3.00	3.00
Switzerland						–	1.00	–
week ago						–	1.00	–

INTERNATIONAL CURRENCY RATES

THREE MONTH EUROCOLLAR (CME) $1m points of 100%

US TREASURY BILL FUTURES (CME) $1m per 100%

POUND IN NEW YORK

Feb 26	—Close—	—Prev. close—
£ spot	1.6020	1.6035
1 mth	1.6011	1.6027
3 mth	1.6005	1.6020
1 yr	1.6035	1.6065

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

OTHER CURRENCIES

Feb 26	£	$
Czech Rp	58.1220 - 58.2302	34.4180 - 34.4650
Hungary	368.745 - 369.296	230.250 - 230.450
Iran	4807.50 - 4804.50	3000.00 - 3000.00
Kuwait	0.4880 - 0.4890	0.3047 - 0.3050
Peru	5.4931 - 5.5447	3.4300 - 3.4600
Poland	6.3093 - 6.3290	3.9400 - 3.9500
Russia	36.7805 - 37.2421	22.9700 - 23.2400
U.A.E.	5.8820 - 5.8865	3.6728 - 3.6733

BANK RETURN

The Bank Return table can be found on page 27 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

D-MARK FUTURES (CME) DM 125,000 per DM

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

STERLING FUTURES (CME) £62,500 per £

BENCHMARK GOVERNMENT BONDS

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Portugal	03/00	5.375						
	06/08	5.375						
Spain	01/01	5.000						
	07/09	5.150						
Sweden	05/00	10.250						
	05/08	6.500						
Switzerland	06/00	4.500						
	01/08	4.250						
UK	11/01	7.000						
	12/03	6.500						
	12/09	5.750						
	12/28	6.000						
US	01/01	4.500						
	02/04	[illegible]						
	11/08	4.750						
	02/29	5.250						

London mid-day. * New York closing.
Yields: Local market standard. Annualised yield basis payable by nonresidents.

UK INTEREST RATES

LONDON MONEY RATES

Feb 26	Over-night	7 days notice	One month	Three months	Six months	One year

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 26	Feb 19		Feb 26	Feb 19
Bills on offer	£100m	£100m	Top accepted rate	5.0739%	5.0137%
Total of applications	£1,185m	£558m	Ave. rate of discount	5.0456%	5.0134%
Total allocated	£200m	£100m	Average yield	5.1101%	5.0758%
Min. accepted bid	£98.735	£98.750	Offer at next tender	£200m	£100m
Allotment at min. level	97%	90%	Min. accept. bid 28 days		

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50			Yorkshire Bank	5.50
Bank of Scotland	5.50	Hongkong & Shanghai	5.50		
Barclays Bank	5.50	Investec Bank (UK) Ltd	5.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.50	Julian Hodge Bank	5.50		
●Brown Shipley & Co Ltd	5.50	●Leopold Joseph & Sons	5.50		
Citibank NA	5.50	Lloyds Bank	5.50		
Clydesdale Bank	5.50	Midland Bank	5.50		
The Co-operative Bank	5.50	NatWestminster	5.50		
Coutts & Co	5.50	●Rea Brothers	5.50		
Cyprus Popular Bank	5.50	Royal Bk of Scotland	5.50		
Duncan Lawrie	5.50	Scottish Widows Bank	5.50		
		●Singer & Friedlander	5.50		

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)							
Treas Flg Rate 1999		100.0237	...	5,700	9Mr Je Se De	2.12	4945
Exch 12¼pc 1999		100.4559	-1	3,050	Se28 Mr28	17.9	1264
Treas 10½pc 1999		101.1233	-1	1,252	No19 My19	10.11	1268
Treas 6pc 1999		100.4041	-1	6,950	Fe10 Au10	1.2	3635
Conv 10¼pc 1999		103.6872	-1	1,798	My22 Nv22	12.11	1242
Exch 10½pc 2005	♣	132.3901	-5	23	Mr20 Se20	14.9	-
Treas 12½pc 2003-5		132.5895	-5	2,200	My21 Nv21	12.11	1295
Treas 8½pc 2005		[illegible]	-6	10,373	Je7 De7	30.11	4946
Conv 9½pc 2005	♣	131.9046	-7	6	My15 Nv15	9.11	-
Treas 7¾pc 2006		118.8164xd	-7	4,000	Mr8 Se8	22.2	2300
Treas 8pc 2002-6		109.8558	-5	2,050	Ap5 Oc5	24.9	1334
Treas 7½pc 2006		117.8928	-7	11,700	Je7 De7	30.11	1142
Treas 11¾pc 2003-7	♣	124.4654	-4	3,150	Jy22 Ja22	18.1	1293

Index-Linked

Other Fixed Interest

TELEFONAKTIEBOLAGET LM ERICSSON (publ)
NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Victoria Hall, The Stockholm Fair, at 5.00 p.m. on Tuesday March 23, 1999.

Notice of attendance

Shareholders who would like to attend the Annual General Meeting shall give notice hereof to the Board of Directors, Telefonaktiebolaget LM Ericsson, Corporate Legal Affairs, S-126 25 Stockholm, or by e-mail bolagsstamman@lme.ericsson.se or by Tel no. +46 (0)8 719 3444 alternatively 719 4498, or by facsimile no. +46 (0)8 719 9527 between 10.00 a.m. and 4.00 p.m. not later than on March 18, 1999. When giving notice of attendance, please indicate name, date of birth, address, and telephone no.

In order to facilitate the registration at the MEeting, powers of attorney, certificates of registration and other documents of authority should be sent to the Company at the address above so as to be available by Monday, March 22, 1999.

Participants

Only those shareholders, who have been entered in the transcription of the share register of March 12, 1999, kept by Vaerdepapperscentralen VPC AB (Swedish Securities Register Center) are entitled to participate in the Meeting upon notice of attendance. Shareholders, whose shares are registered in the name of a nominee, must temporarily be entered into the share register in order to be entitled to participate in the Meeting. The shareholder is requested to inform the nominee in due time before Friday, March 12, 1999, when such registration must have been made.

Agenda

The following items must be dealt with at the Meeting:

1. To elect the chairman of the Meeting.
2. To set up and approve the list of voters.
3. To approve the agenda of the Meeting.
4. To consider whether the Meeting has been properly announced.
5. To elect two persons approving the minutes.
6. a) To present the Annual Report, the Auditors' Report, the Consolidated Accounts and the Auditors' Report on the Consolidated Accounts for 1998.
   b) The President's speech and the shareholders' questions to the Board of Directors and the Management.
7. Approvals
   a) the Profit and Loss Statement and the Balance Sheet, the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet for the Group;
   b) to discharge the members of the Board of Directors and the Managing Director from liability;
   c) to determine the appropriation of the profits in accordance with the approved balance sheet and to fix the record day for payment of the dividend declared.
8. To determine the number of members and deputy members of the Board of Directors and the number of Auditors and deputy Auditors.
9. To determine the remuneration payable to the Board of Directors and to the Auditors.
10. To elect members of the Board of Directors and deputy members.
11. The Board of Directors' proposal for approval of amendments of the Articles of Association.
12. To elect Auditors and deputy Auditors.

Item 7 c) Dividend and Record day

The Board of Directors proposes a dividend of SEK2.00 per share and Friday, March 26, 1999 as record day for payment of dividend. Provided this proposal is approved, the dividend is expected to be paid by Vaerdepapperscentralen VPC AB on Tuesday, April 6, 1999.

Item 11 Amendments of the Articles of Association

The Board of Directors' proposals to amendments of the Articles of Association are due to provisions in the Swedish Company Act that came into force on January 1, 1999. The amendments mean primarily that

- the term of office of the auditors elected by the General Meeting is extended from one year to four years (§ 10);
- a new item is added regarding approval of the items on the agenda for the Annual Meeting (§ 12);
- the rule regarding open voting and voting by ballot is deleted (§ 13);
- the present rule regarding the period during which notice convening the General Meeting is to be published is deleted and, the means for convening the General Meeting is amended to announcement in Post-och Inrikes Tidningar as well as in Dagens Nyheter and Svenska Dagbladet or another nation-wide covering daily paper (§ 15); and
- a rule is inserted meaning that a shareholder must give notice of the number of possible advisors before the General Meeting (§ 16).

Proposals under items 8, 9, 10 and 12 on Board Members, Auditors etc.

Regarding remuneration to the Board of Directors and election of the Board Members and Auditors, a group of owners of A and B shares who jointly represent more than 50% of the total number of votes of the Company has reported that they intend to vote for the following proposals:

- A total remuneration to the Board of Directors of SEK 3,750,000 to be divided within the Board of Directors and that remuneration to the Auditors shall be paid on Account.
- Re-election of the members of the Board Messrs. Tom Hedelius, Sverker Martin-Löf, Lars Eric Petersson, Lars Ramqvist, . Clas Reuterskiöld, Peter Sutherland, and Marcus Wallenberg and no deputy member of the Board.
- Election of Mr Göran Lindahl as new member of the Board of Directors.
- Re-election of the Auditors Messrs. Carl-Eric Bohlin, Olof Herolf and Tomas Thiel and the deputy Auditors Bo Hjalmarsson and Stefan Holmström.
- Election of the deputy Auditor Ms. Jeanette Skoglund.

March, 1999
The Board of Directors

SOCIETE GENERALE
USD 210 000 000
SUBORDINATED FLOATING RATE NOTES DUE 2002
ISIN CODE : XS0039179329

For the period February 26, 1999 to August 27, 1999 the new rate has been fixed at 5.125 % P.A.
Next payment date : August 27, 1999
Coupon nr : 14
Amount : USD 129.55 for the denomination of USD 5 000
USD 2 590.97 for the denomination of USD 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST S.A.
11-13, avenue Emile Reuter
L-2420 LUXEMBOURG

Amethyst Funding Corporation I
USD 200,000,000
Secured Amortising Floating Rate Notes due 2003

For the interest period 1 March 1999 to 1 April 1999, the Notes will carry a Rate of Interest of 5.26344% per annum. The Coupon Amount per USD [illegible] Note will be USD [illegible] payable on 1 April 1999. The Principal Repayment Amount per original USD 1,000,000 Note is USD [illegible] on 1 March 1999.

IBJ (Luxembourg) S.A.
Agent Bank dated 1 March 1999

FT
FINANCIAL TIMES

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world.

For information on rates and further details please telephone:
Toby Finden-Crofts on +44 171 873 3456

EQUITIES

Weak euro pushes rate cuts off agenda

EUROPEAN OVERVIEW

By Vincent Boland

A cut in the euro-zone's interest rate is unlikely to be top of the agenda when the European Central Bank meets this week to discuss monetary policy, but the weakness of the euro undoubtedly will come up for discussion.

The currency continued its mild falls against the US dollar for much of last week and is now below $1.10. Some observers argue that it is headed for $1.00 this year, especially if the US Federal Reserve is forced to raise interest rates to cut the level of economic growth there, which came in at an exuberant 6.1 per cent in the fourth quarter of 1998.

Analysts say the euro's weakness rules out any further cuts in European interest rates for the moment. Indeed, those cuts that have been forecast – a drop of perhaps 50 basis points in the base rate in the euro zone to 2.5 per cent, probably by the second half of the year – are essentially based on the original view that the euro would be stronger than it currently is.

So the interest rate cut being demanded by the French and German finance ministers may not be forthcoming yet. But is a weak euro entirely a negative thing? Dresdner Kleinwort Benson's portfolio strategy team argue that if the currency remains weak and short rates do not fall, the effect should add 0.1 per cent to the bank's 1999 estimates of economic growth in the euro-zone, and 0.6 per cent in 2000.

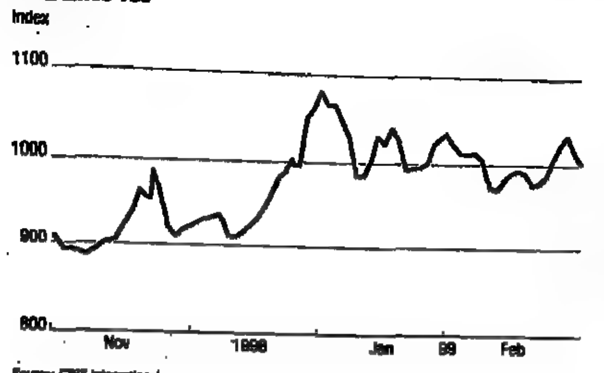
That should add 2 per cent and 4 per cent to corporate earnings growth in those years, respectively. "Not enough to bail out the analysts [who are bearish on earnings prospects] but enough to support a possible change in market sentiment," the team says.

So far there have been relatively few earnings shocks from 1998 among the big European companies, although bank results have been severely hit by the turmoil in emerging markets. For 1999, the Dresdner team is forecasting nearly 12 per cent earnings growth based on bottom-up estimates, and 14.5 per cent for next year.

Investors will therefore be looking with some keenness to the ECB's deliberations this week, and hoping for a better showing from bourses after a lacklustre week, especially given the sharp fall in bond markets.

FTSE Ebloc 100

Index



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.940	96.940	-0.005	96.945	96.930	29740	158481
Jun	97.070	97.015	-0.055	97.070	96.990	57326	147044
Sep	97.100	97.025	-0.065	97.100	96.995	83252	110130
Dec	96.790	96.740	-0.065	96.790	96.700	19585	97016

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.940	97.015	-0.005	96.940	96.935	147	119384
Jun	97.040	97.015	-0.055	97.040	97.030	400	107376
Sep	97.060	97.025	-0.065	97.060	97.036	227	93964
Dec	96.735	96.740	-0.055	96.735	96.735	88	87072

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Mar	PUTS Jun	PUTS Sep	PUTS Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	0.070	0.153	0.110	0.185	0.085	0.130	0.270	0.300
[illegible]	0.015	0.066	0.060	0.105	0.280	0.280	0.570	0.470

Est. vol total, Calls 743 Puts 151. Previous day's open int., Calls 283026 Puts 190314

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2806.0	2817.0	-8.0	2826.0	2806.0	120	7447
Jun		2821.0	-8.0			0	3

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P
Mar	281	17	245	22	206	31	163	41	127	55	97	73	65	98	47	125
Apr	322	47	285	53	247	66	207	82	173	98	146	117	118	140	315	82

Est vol total - Prev day's open interest total 6,456. Premiums shown are based on settlement prices.

OTHER INDICES

	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3458.85	3475.89	3547.88	3670.82	2433.07	3670.82	[illegible]
DJ Euro Stx 50	3484.24	3496.27	3558.89	[illegible]	2419.23	[illegible]	2419.23
MSCI Europe	(u)	1212.84	1231.18	1315.85	906.69	1315.85	510.76

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Feb 26

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1222.63	[illegible]	-6.48	2.18	1.33	1260.31
FTSE Eurotop 100	2804.45	-0.71	-20.02	2.19	4.56	1006.85
FTSE Ebloc 100	1006.77	-0.58	[illegible]	1.98	0.60	1022.55
FTSE EuroMid	[illegible]	+0.34	[illegible]	2.77	[illegible]	1237.40
FTSE EuroMid Ebloc	[illegible]	-0.37	-4.46	2.32	1.40	1217.59
FTSE EuroMid Ex UK	1231.01	-0.25	-3.10	2.17	0.96	1254.79
FTSE Eurotop 300 Regions						
Eurobloc	1258.35	[illegible]	-7.61	1.95	1.00	1286.30
UK	[illegible]	[illegible]	-4.29	2.57	2.33	[illegible]
Europe Ex-Eurobloc	1197.27	-0.45	-5.42	2.42	1.67	1241.85
Europe Ex-UK	1249.36	[illegible]	-7.71	1.98	[illegible]	1273.53
FTSE Eurotop Industry Sectors						
RESOURCES	856.13	+1.01	+8.55	3.36	0.94	896.28
Mining	862.58	-0.57	-4.93	4.10	0.00	880.80
Oil & Gas	823.63	+1.08	+8.79	3.33	0.94	844.56
BASIC INDUSTRIES	1071.24	+0.02	+0.25	2.78	0.86	1094.94
Chemicals	818.25	-0.02	-0.14	2.76	0.65	833.37
Construction & Bld Matls	1005.97	+0.01	+0.12	2.30	1.13	1015.94
Forestry & Paper	876.61	+0.44	+3.82	4.40	0.00	916.69
GENERAL INDUSTRIALS	1105.09	-1.49	-16.71	1.99	2.39	1131.03
Aerospace & Defence	746.10	-4.48	-34.87	2.21	0.00	756.40
Diversified Industrials	968.04	-1.42	-13.95	2.10	0.00	990.19
Electronic & Elect Equip	977.07	-1.30	-12.88	1.93	5.15	987.48
Engineering & Machinery	1017.06	-1.39	-14.29	1.85	1.65	1032.84
CYCLICAL CONS GOODS	1264.37	-1.75	-22.55	2.48	0.00	1299.15
Automobiles	937.34	-1.84	-17.55	2.51	0.00	946.04
Household Goods & Texts	1245.29	-1.29	-16.21	2.28	0.00	1255.93
NON-CYC CONS GOODS	1226.01	-1.20	-14.88	1.90	0.49	1260.25
Beverages	938.83	+1.33	+12.28	2.90	0.00	959.10
Food Producers & Process	924.56	-1.15	-10.71	1.72	0.00	935.42
Health	848.99	-0.65	-5.79	0.62	0.00	861.69
Packaging	777.22	-0.31	-2.38	1.16	0.00	778.19
Personal Care & Hse Prods	[illegible]	-3.24	-35.74	0.91	0.00	1078.00
Pharmaceuticals	1125.39	-1.44	-16.49	1.16	0.89	1132.21
Tobacco	1404.99	+0.80	+11.10	2.65	1.42	1433.19
CYCLICAL SERVICES	1345.56	+0.41	+5.54	2.29	1.17	1386.23
Distributors	708.94	-0.44	-3.16	4.16	0.00	716.90
General Retailers	1105.41	-0.35	-3.85	2.87	1.06	1129.38
Leisure Entertmt & Hotels	[illegible]	-0.92	-8.87	2.14	6.02	977.75
Media & Photography	1251.44	+0.78	+9.72	1.63	0.71	1265.55
Rests, Pubs & Breweries	850.72	+0.75	+6.30	3.31	2.84	878.39
Support Services	1133.93	+0.20	+2.23	1.31	0.00	1145.98
Transport	989.48	+2.43	+23.02	2.58	1.81	989.20
NON-CYCLICAL SERVS	1398.75	-0.34	-4.79	1.35	0.44	1440.18
Food & Drug Retailers	1040.49	+0.22	+2.24	2.00	0.51	1056.89
Telecommunications Servs	1395.46	-0.46	-6.43	1.23	0.39	1416.70
UTILITIES	1458.00	-0.72	-10.58	3.06	4.25	1560.72
Electricity	1114.77	-0.79	-8.90	3.18	3.42	1153.93
Gas Distribution	1202.66	-0.10	-1.21	1.59	1.00	1325.25
Water	921.99	-1.57	-14.75	5.38	5.94	971.80
FINANCIALS	1278.19	-0.49	-6.24	2.82	2.01	1315.18
Banks	899.07	-0.77	-7.01	3.36	2.43	914.33
Insurance	967.31	-0.14	-1.31	1.42	0.00	978.98
Life Assurance	1142.09	-0.16	-1.80	1.75	0.00	1158.92
Investment Companies	989.44	-1.82	-18.39	1.00	0.00	1013.18
Real Estate	710.75	[illegible]	+15.35	3.45	1.67	730.98
Speciality & Other Fin	886.43	+0.50	+4.38	2.54	0.00	901.23
INFORMATION TECH	935.23	-0.70	-6.62	0.66	0.04	937.80
Information Tech Hardware	987.17	-0.98	-9.79	0.73	0.00	989.52
Software & Computer Serv	817.06	-0.10	+0.79	0.46	0.15	819.15

Further information is available on http://www.ftse.com. © FTSE International Limited 1999. All rights reserved. "FTSE" and "Footsie" are registered trade marks of The London Stock Exchange and The Financial Times and are used by FTSE International under licence. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUTOMOBILES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BANKS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BEVERAGES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHEMICALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONSTRUCTION & BUILDING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DISTRIBUTORS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DIVERSIFIED INDUSTRIALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELECTRICITY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELECTRONIC & ELECTRICAL EQUIPT					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ENGINEERING & MACHINERY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FOOD & DRUG RETAILERS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FOOD PRODUCERS & PROCESSORS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FORESTRY & PAPER					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GAS DISTRIBUTION					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL RETAILERS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HEALTH					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HOUSEHOLD & TEXTILES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.T. HARDWARE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INSURANCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INVESTMENT COMPANIES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LEISURE ENTERTAINMENT & HOTELS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LIFE ASSURANCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MEDIA & PHOTOGRAPHY					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MINING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OIL & GAS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PACKAGING					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PERSONAL & HOUSEHOLD PRODUCTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHARMACEUTICALS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
REAL ESTATE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RESTAURANTS PUBS & BREWERIES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTWARE & COMPUTER SERVICES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPECIALITY & OTHER FINANCE					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUPPORT SERVICES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TELECOMMUNICATION SERVICES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOBACCO					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TRANSPORT					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WATER					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Feb 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.8088	-0.1227	749 - 426	37.9950	37.7600	37.8885	-5.1	38.2763	-4.9	39.6940	-5.0
Denmark	(DKr)	7.4345	+0.0002	317 - 373	7.4385	7.4315	7.4358	-0.2	7.4414	-0.4	7.4665	-0.4
Greece	(Dr)	321.751	-0.7170	513 - 989	322.200	321.429	323.5594	[illegible]	327.0947	-6.6	340.8882	-5.9
Hungary	(Forint)	252.867	-0.6760	699 - 034	254.790	251.590	255.5657	-12.8	260.5783	-12.2	[illegible]	-11.3
Norway	(NKr)	8.6904	-0.0156	834 - 973	8.7050	8.6526	8.7262	-4.9	8.7813	-4.2	8.9490	-3.0
Poland	(Zloty)	4.3307	+0.0230	242 - 371	4.3524	4.2838	-	-	-	-	-	-
Romania	(Leu)	14018.28	-204.3600	020 - 636	-	-	-	-	-	-	-	-
Russia	(Rouble)	25.3636	-0.0980	096 - 175	25.5396	25.3077	-	-	-	-	-	-
Slovakia	(Koruna)	43.9243	-0.0272	583 - 903	44.0103	42.3345	-	-	-	-	-	-
Sweden	(SKr)	9.0148	+0.0369	072 - 223	9.0287	8.9727	9.0144	0.1	9.0184	-0.2	9.0363	-0.2
Switzerland	(SFr)	1.5907	-0.0018	901 - 913	1.5930	1.5862	1.5875	2.4	1.5834	1.8	1.5651	1.6
UK	(£)	0.6853	-0.0037	849 - 856	0.6893	0.6847	0.6867	-2.5	0.6892	-2.3	0.7000	-2.1
Americas												
Argentina	(Peso)	1.0974	-0.0078	971 - 976	1.1040	1.0951	-	-	-	-	-	-
Brazil	(R$)	2.2778	+0.0234	718 - 838	2.2972	2.2567	-	-	-	-	-	-
Canada	(C$)	1.6571	-0.0050	561 - 580	1.6712	1.6546	1.6598	-2.0	1.6652	-2.0	1.6929	[illegible]
Mexico	(New Peso)	10.9291	[illegible]	[illegible]	10.9744	10.8750	11.1811	-27.8	11.6229	-25.4	13.6771	-25.2
USA	($)	1.0978	[illegible]	[illegible]	1.1044	1.0955	1.0994	-1.7	[illegible]	-1.9	[illegible]	-2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7679	[illegible]	[illegible]	1.7860	1.7599	[illegible]	-1.6	[illegible]	-1.7	1.8014	-1.9
Hong Kong	(HK$)	8.5051	[illegible]	[illegible]	8.5489	8.5005	8.5250	-2.8	8.5695	-3.0	8.8929	-4.6
India	(Rs)	46.8465	-0.1811	084 - 846	47.1579	46.6190	47.2201	[illegible]	47.9915	[illegible]	51.8460	-10.7
Indonesia	(Rupiah)	9701.38	-6.9300	800 - 475	9745.90	9589.80	9958.01	-31.7	10575.04	-36.0	13006.52	[illegible]
Israel	(Shk)	4.4415	-0.0339	351 - 478	4.4813	4.4305	-	-	-	-	-	-
Japan	(Y)	130.248	-2.4750	164 - 333	132.900	130.150	129.9190	3.0	129.2749	3.0	126.5058	2.9
Malaysia	(M$)	4.1715	[illegible]	[illegible]	4.1965	4.1631	-	-	-	-	-	-
New Zealand	(NZ$)	2.0946	-0.0048	921 - 970	2.1112	2.0846	2.0970	-1.4	2.1022	-1.5	2.1325	-1.8
Philippines	(Peso)	42.7574	[illegible]	[illegible]	43.1820	42.5054	43.1418	-10.8	43.7952	-9.7	47.0319	[illegible]
Saudi Arabia	(SR)	4.1193	-0.0279	178 - 208	4.1448	4.1098	[illegible]	-4.7	4.1633	-4.3	4.3035	-4.5
Singapore	(S$)	1.8903	-0.0168	893 - 913	1.9025	1.8843	1.8901	0.1	1.8878	0.5	[illegible]	-0.1
South Africa	(R)	6.8006	[illegible]	[illegible]	6.8257	6.7695	6.8796	-13.9	6.9991	-11.7	7.5344	-10.8
South Korea	(Won)	1343.10	-9.5400	169 - 450	[illegible]	[illegible]	-	-	-	-	-	-
Taiwan	(T$)	36.3136	-0.2542	504 - 767	36.5060	36.2000	36.5942	-9.3	36.8588	-6.0	38.0174	-4.7
Thailand	(Bt)	40.9681	-0.4732	038 - 323	41.3519	40.8498	[illegible]	-13.1	41.8258	[illegible]	43.6858	-6.6
UAE	(Dirham)	4.0321	[illegible]	[illegible]	4.3350	4.02200	[illegible]	[illegible]	4.0555	-2.3	4.1419	-2.7

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, and spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

BONDS

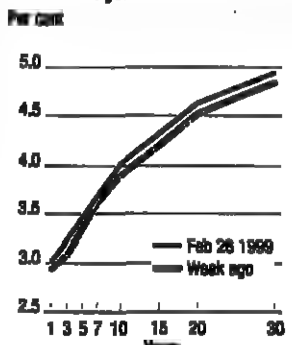
INTEREST RATE SWAPS

Feb 26	Euro-€ Bid	Euro-€ Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.14	3.17	5.37	5.40	1.48	1.52	5.37	5.40	0.30	0.33
2 year	3.24	3.28	5.30	5.33	1.70	1.78	5.58	5.61	0.42	0.45
3 year	3.40	3.44	5.30	5.34	1.95	2.03	5.68	5.71	0.68	0.71
4 year	3.57	3.61	5.29	5.33	2.16	2.24	5.75	5.78	0.86	0.89
5 year	3.73	3.77	5.26	5.30	2.36	2.43	5.80	5.83	1.23	1.26
6 year	3.89	3.93	5.25	5.29	2.52	2.60	5.84	5.87	1.49	1.52
7 year	4.03	4.07	5.24	5.28	2.69	2.77	5.88	5.91	1.71	1.74
8 year	4.15	4.19	5.24	5.28	2.84	2.92	5.92	5.95	1.89	1.92
9 year	4.25	4.29	5.24	5.28	2.99	3.07	5.96	5.99	2.05	2.08
10 year	4.33	4.37	5.24	5.28	3.13	3.21	5.99	6.02	2.18	2.21
12 year	4.48	4.52	5.25	5.30	3.38	3.46	6.07	6.10	2.40	2.44
15 year	4.68	4.72	5.26	5.31	3.61	3.71	6.15	6.18	2.68	2.71
20 year	4.90	4.94	5.28	5.32	3.85	3.98	6.21	6.24	2.85	2.90
25 year	5.03	5.07	5.28	5.33	3.97	4.07	6.21	6.24	2.94	2.99
30 year	5.10	5.14	5.28	5.33	4.08	4.18	6.20	6.23	3.00	3.06

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

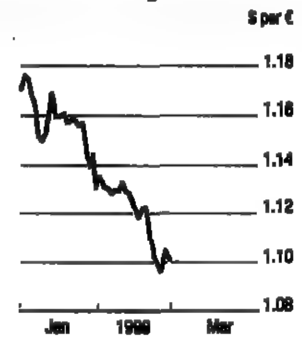
Euro bond yield curve

Per cent



Euro against the dollar

$ per €



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Feb 26	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	101.794	3.28	+0.07	+0.25	+0.13
Denmark	01/02	4.750	AA+	103.638	3.38	+0.07	+0.31	+0.15
Sweden	02/01	5.000	AA+	103.156	[illegible]	+0.06	+0.28	+0.15
Greece	11/05	6.750	BBB	114.204	4.52	+0.05	+0.32	+0.83
■ SUPRANATIONALS								
ADB	10/07	5.600	AAA	107.442	4.44	+0.05	+0.34	+0.63
EIB	04/08	5.000	AAA	106.075	4.18	+0.05	+0.34	+0.26
Eurofima	12/09	5.625	AAA	108.568	4.60	+0.06	+0.37	+0.58
World Bank	04/05	7.125	AAA	117.256	3.89	+0.05	+0.28	+0.31
■ UTILITIES								
EDF	10/03	3.750	n/a	100.676	3.59	+0.07	+0.28	+0.25
TEPCO	02/03	4.750	AA	103.017	3.92	+0.07	+0.31	+0.58
Quebec Hydro	03/08	5.375	A+	104.678	4.73	+0.05	+0.35	+0.81
Norsk Hydro	10/99	7.250	A	102.057	3.58	+0.00	+0.11	+0.59
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	108.938	4.55	+0.09	+0.40	+0.47
OKB	08/07	5.750	AAA	110.669	4.23	+0.05	+0.32	+0.42
Credit Local	04/08	5.250	AA+	105.458	4.51	+0.06	+0.37	+0.59
Abbey Natl	01/09	5.000	AA-	101.290	4.83	+0.06	+0.37	+0.81
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	103.910	3.82	+0.08	+0.28	+0.39
McDonalds	03/08	5.125	AA	104.792	4.47	+0.06	+0.72	+0.65
Philip Morris	08/06	5.625	A	104.284	5.04	+0.06	+0.39	+1.12
BAT Int Fin	07/05	5.375	A-	102.530	4.85	+0.04	+0.18	+1.28
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.615	3.36	+0.08	+0.20	+0.23
Eurohypo AG	01/04	5.000	n/a	106.800	3.67	+0.09	+0.27	+0.21
Bayer Vereins	01/06	6.000	n/a	111.967	3.99	-0.10	+0.38	+0.30
Depfa	07/08	4.750	n/a	103.518	4.26	+0.11	+0.34	+0.34
■ HIGH YIELD								
Gebank	04/07	10.125	B-	107.881	8.83	+0.08	+0.87	+4.82
Colt Telecom •	11/07	8.875	n/a	106.701	7.80	-0.13	-0.89	+3.99
Impress Metal	05/07	9.875	B	101.350	9.63	-0.10	+1.90	+5.82
Remy Cointreau	07/05	10.000	B+	97.000	10.85	+0.22	-0.81	+7.07

Standard & Poor's ratings. Source: Interactive Data/FT Information.

MeritaNordbanken

Report on 1998 operations in summary

- Operating profit was up 13 per cent at FIM 8.145 million (SEK 12,083 million). Excluding items affecting comparability, operating profit rose by 16 per cent to FIM 6,889 million
- Return on equity, excluding items affecting comparability, was 18.7 per cent
- Return on equity, after real estate write-downs of FIM 3,670 million, was 14.3 per cent.
- After-tax profit for the year amounted to FIM 4,178 million
- Earnings per share were FIM 1.96 in Merita Plc, SEK 2.92 in Nordbanken Holding
- Proposed dividend: FIM 1.05 per share for Merita Plc, SEK 1.64 per share for Nordbanken Holding

MeritaNordbanken in brief

MeritaNordbanken is one of the leading Nordic bank groups, with a broad range of financial products and services.

The customer base comprises 6.5 million individuals and 400,000 companies and institutions. Customers in Sweden and Finland are offered services via 800 bank offices, some 1,000 Swedish post offices and through effective telephone bank and Internet services. Approximately one million customers use the group's electronic banking services.

The Group manages some FIM 250 bn, or about EUR 42 bn, on behalf of private customers. In addition to the Nordic office network, the group is represented in 19 countries. The Group has more than 19,000 employees, of whom some 18,000 are employed in actual banking operations.

MeritaNordbanken's total market capitalization at year-end amounted to EUR 11.5 bn.

The complete Report can be ordered from MeritaNordbanken, Investor Relations, SE-105 71 Stockholm, telephone +46-8-614 78 51, telefax +46-8-614 87 10 or e-mail: investor.relations@nb.se Internet: www.meritanordbanken.com

MeritaNordbanken

Notice of Reduced Interest Payment Date

Republic of Ecuador

PDI Bonds due 2015

Pursuant to the terms of the PDI Bonds, the Republic of Ecuador has elected to capitalize a portion of the interest payable for the Interest Period from February 26, 1999 to August 31, 1999. Therefore, August 31, 1999 will be a Reduced Interest Payment Date

By: The Chase Manhattan Bank as Fiscal Agent

March 1, 1999 CHASE

U.S. $1,434,690,000

Republic of Ecuador

Discount Bonds due 2025

For the six months February 26, 1999 to August 31, 1999 the Bonds will bear interest at 6% per annum. The interest payable on the relevant interest payment date, August 31, 1999 will be U.S. $31.00 per U.S. $1,000 Bond.

By: The Chase Manhattan Bank as Fiscal Agent

March 1, 1999 CHASE

The Chase Manhattan Corporation

U.S. $250,000,000

Floating Rate Subordinated Notes due 2000

For the three months 26th February, 1999 to 28th May, 1999 the Notes will carry an interest rate of 5.125% per annum with a coupon amount of U.S. $129.55 per U.S. $10,000 principal amount, payable on 28th May, 1999.

Bankers Trust Company, London — Agent Bank

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Allied Domecq	§	482½	3.1	Q25.35	1.5	5,046	2.11	2323
Bulmer (HP)		285	0.9	18.0	1.5	151.0	11.1	2805
Burn Stewart		12½	–	–	–	7.41	10'97	1518
Diageo	♣¶	689½	6.2	Q19.8	1.5	24,784	5.10	2791
Glenmorangie A	†	720	1.1	14.49	2.5	97.9	21.12	3257
B	†	827½	–	7.22	2.5	33.1	21.12	3258
Highland		246½	-1.6	8.35	2.3	329.3	7.12	2899
5¾pc Cv Sb Bd		95¾	-1.5	05¾%	–	47.4	11.1	2823
Kirin Y		739¼xd	6.7	Q24%	1.7	7,713	25.12	1119
Merrydown		27	1.9	–	–	7.16	7'97	3382
Seagram C$		£27¼xd	-2.4	Q66c	–	9,685	22.2	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

This space has been designated

A STRESS FREE AREA

by those thoughtful people in Asset Management.

Henderson Investors An AMP Company

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

You choose.

Deal via phone, fax or the net.

With a self-select PEP, you can deal the way that suits you best.
Call 0870 601 8888 for your application pack, quoting FT 465.

CharlesSchwab

Helping Investors Help Themselves®
www.schwab-worldwide.com/europe

ISSUED BY CHARLES SCHWAB EUROPE, WHICH IS A MEMBER FIRM OF THE LONDON STOCK EXCHANGE AND LIFFE, AN INLAND REVENUE APPROVED PLAN MANAGER AND IS REGULATED BY THE SECURITIES AND FUTURES AUTHORITY.

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
FTSE 100 TRANS		[illegible]	—	-	-	-	14.9	-

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list.

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 21.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- · Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Dividend includes amount payable after 6/4/99. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issues. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend. Cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Collective Assets (InTr), Celtic 6pc Cnv Prf (L&H), Atlantic Richfield (Oil), Golden Prospect (AIM). Deletions: Meathead (Ins), Henderson American Cap & Inc Cap, Do Inc (InTr), Guangdong Warrants (InCo), Daiwa Securities (OtFn), BCH (Trns), Dun & Bradstreet (Amer), Fiscal Street (AIM).

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbloc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0906 003 or 0906 843 followed by the four-digit code listed after the share price. Calls are charged at 60p per minute at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0906 843 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

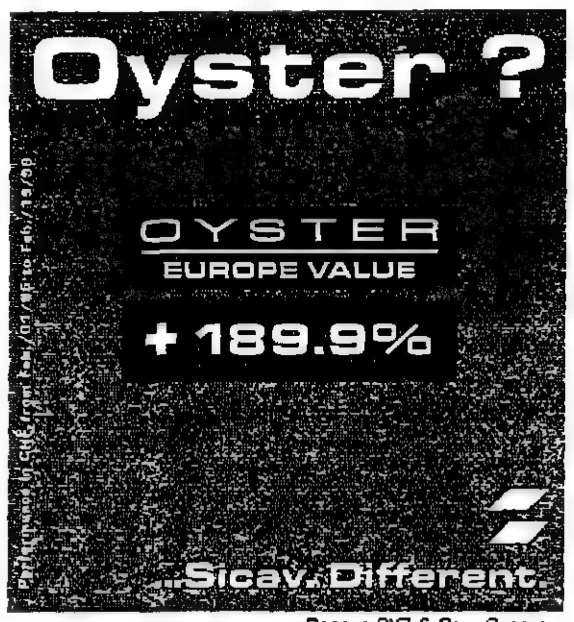
BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)



Banque SYZ & Co ■ Geneve
Tel: (+41 22) 819 09 13 ■ Fax (+41 22) 310 09 60
E-mail info@oyster.lu ■ Performances www.oyster.lu

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Barclays International Funds - Contd.

Murray Johnstone (Jersey) Limited

Fidelity Funds - Contd.

Lloyds Bank Luxembourg - Contd.

Schroder International Selection Fd - Contd.

Banque Ferrier Lullin (Lux) SA

Henderson Independent Fund

Scudder Global Opportunities Funds - Contd.

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

KNOWING YOUR INVESTORS IS

Strong relationships. There's no better way to establish needs and solve

ONE THING. KNOWING COUNTLESS

complex issues. That's why we offer an extensive range of products and services

DERIVATIVES IN 20 LANGUAGES IN

integrated with customized technology solutions. Because while no one knows

125 STOCK MARKETS IS ANOTHER.

your investors like you do, no one knows today's institutional investors like we do.

STATE STREET

Serving Institutional Investors Worldwide™

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Feb 26) 1 € = 13.76030 Sch

BELGIUM/LUX (Feb 26) 1 € = 40.33990 Frs.

FINLAND (Feb 26) 1 € = 5.94573 Mka

FRANCE (Feb 26) 1 € = 6.55957 Frs.

GERMANY (Feb 26) 1 € = 1.95583 Dm.

IRELAND (Feb 26) 1 € = 0.78756 Punt

ITALY (Feb 26) 1 € = 1936.27000 Lire

NETHERLANDS (Feb 26) 1 € = 2.20371 Fls.

PORTUGAL (Feb 26) 1 € = 200.48200 Esc.

SPAIN (Feb 26) 1 € = 166.38600 Pts.

EUROPE (NON-EMU)

CZECH REP (Feb 26 / Koruna)

DENMARK (Feb 26 / Kr)

GREECE (Feb 26 / Drachma)

NORWAY (Feb 26 / Kroner)

POLAND (Feb 26 / Zloty)

SWEDEN (Feb 26 / Kronor)

SWITZERLAND (Feb 26 / Frs.)

TURKEY (Feb 26 / Tk Lira)

PACIFIC

JAPAN (Feb 26 / Yen)

HONG KONG (Feb 26 / H.K.$)

INDONESIA (Feb 26 / Rupiah)

MALAYSIA (Feb 26 / MYR)

NEW ZEALAND (Feb 26 / NZ $)

SINGAPORE (Feb 26 / S$)

SOUTH KOREA (Feb 26 / Won)

TAIWAN (Feb 26 / TW $)

THAILAND (Feb 26 / Baht)

AUSTRALIA (Feb 26 / Aust$)

AFRICA

SOUTH AFRICA (Feb 26 / Rand)

AMERICAS

CANADA

TORONTO (Feb 26 / Can $)
4 pm close

MONTREAL (Feb 26 / Can $)
4 pm close

MEXICO (Feb 26 / Peso)
12.30 pm

Rockwell

La Redoute trusts Rockwell's automated parcels identification system to ensure speedy delivery of its mail orders.

http://www.rockwell.com

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 26 1999 US Dollar Index	%chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY FEBRUARY 25 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	204.80	2.8	189.53	153.60	214.84	219.36	1.5	3.38	208.70	192.92	158.44	217.47	221.79	219.96	163.88	210.37
Austria (21)	182.51	-1.0	168.90	136.88	168.94	168.94	5.9	1.97	184.21	170.28	139.85	169.37	169.37	253.73	165.27	205.27
Belgium (22)	386.11	-7.8	357.32	289.58	349.93	349.93	-1.4	1.93	393.83	364.05	298.98	354.53	354.53	446.95	279.30	285.31
Brazil (29)	97.27	-26.6	90.01	72.95	102.04	371.51	25.7	6.25	96.88	89.56	73.55	100.95	363.80	269.34	89.32	237.87
Canada (113)	199.75	0.2	184.86	149.81	209.55	218.34	-1.5	1.81	200.03	184.91	151.56	208.43	217.85	248.78	159.94	229.04
Denmark (34)	446.55	-10.7	413.25	334.92	468.45	411.33	-4.9	1.75	449.22	415.25	341.03	468.09	411.02	537.33	420.12	459.54
Finland (29)	603.60	4.9	558.58	452.70	686.13	686.13	12.2	1.65	615.01	568.51	466.89	694.43	694.43	661.25	339.49	350.68
France (74)	312.30	-4.5	289.01	234.23	292.74	292.74	2.1	2.10	320.09	295.88	243.00	298.03	298.03	354.45	253.86	284.54
Germany (55)	255.46	-9.1	236.41	191.60	236.64	236.64	-2.7	1.40	259.67	240.03	197.13	238.92	238.92	325.61	226.35	251.69
Greece (36)	408.84	17.5	378.35	306.63	428.88	858.99	23.0	0.99	410.65	379.60	311.75	427.90	858.98	429.85	211.47	-
Hong Kong, China (66)	284.26	-7.5	263.06	213.20	298.20	282.76	-7.5	4.32	278.65	257.58	211.54	290.35	277.22	362.55	196.64	354.30
Indonesia (24)	48.43	-3.4	44.82	36.33	50.81	262.59	7.4	1.17	48.54	44.87	36.85	50.58	261.59	64.52	19.04	48.46
Ireland (14)	542.14	-1.7	501.71	406.61	548.08	548.08	5.2	1.83	541.12	500.21	410.80	543.39	543.39	605.85	396.15	489.07
Italy (53)	166.27	-7.0	153.87	124.70	219.03	219.03	-0.6	1.48	167.62	154.95	127.25	219.34	219.34	192.64	128.68	136.15
Japan (445)	98.50	-2.0	91.16	73.88	103.33	73.88	3.1	1.01	97.75	90.36	74.21	101.86	74.21	107.62	76.83	101.80
Mexico (29)	1233.04	8.0	1141.09	924.78	1293.50	13420.79	8.7	1.91	1241.08	1147.24	942.16	1293.21	13540.78	1733.73	787.15	1581.81
Netherlands (26)	489.02	-7.7	452.56	366.77	448.09	448.09	-1.2	2.14	490.93	453.81	372.70	446.82	446.82	562.73	394.82	456.71
New Zealand (18)	64.36	9.1	59.56	48.27	67.52	65.21	9.9	4.32	64.06	59.22	48.63	66.75	64.62	77.84	45.68	75.61
Norway (37)	220.80	0.8	204.33	165.60	231.62	237.25	4.5	2.12	222.03	205.25	168.56	231.36	237.42	357.71	181.86	305.19
Philippines (22)	86.60	-4.1	80.14	64.95	90.85	168.10	-4.0	0.97	85.28	78.83	64.74	88.86	165.96	106.98	42.48	93.50
Portugal (18)	244.65	-4.8	226.41	183.49	305.84	305.84	1.8	1.07	244.09	225.63	185.30	303.09	303.09	299.39	194.13	-
Singapore (40)	204.50	-5.4	189.25	153.38	214.53	162.28	-1.3	1.72	204.13	188.70	154.97	212.71	162.34	246.74	102.45	224.59
South Africa (35)	190.75	3.5	176.52	143.06	200.10	258.28	9.0	3.55	192.51	177.96	146.15	200.60	259.93	346.20	151.55	280.17
Spain (30)	381.40	-4.6	352.96	286.05	437.96	437.96	2.0	1.56	385.70	356.54	292.81	439.94	439.94	435.10	290.81	327.67
Sweden (43)	516.68	2.9	478.15	387.51	542.01	628.12	4.3	1.95	523.14	483.58	397.15	545.11	629.16	628.19	379.18	519.89
Switzerland (30)	391.41	-5.5	362.22	293.56	410.60	351.64	-0.4	1.21	395.39	365.50	300.17	412.00	353.23	441.85	307.73	384.36
Thailand (31)	21.75	-8.3	20.13	16.31	22.81	31.50	-5.8	2.86	21.12	19.53	16.04	22.01	30.74	33.84	8.15	32.13
United Kingdom (201)	384.21	1.6	355.58	288.16	403.05	355.56	5.5	2.71	386.08	356.88	293.10	402.29	356.88	401.84	307.96	369.35
USA (613)	510.76	0.8	472.67	383.07	535.81	510.76	0.8	1.29	513.66	474.82	389.95	535.24	513.66	527.72	390.12	428.18
Americas (784)	452.78	0.7	419.01	339.59	474.98	394.57	0.8	1.33	455.27	420.84	345.62	474.39	396.61	467.90	347.59	387.89
Europe (723)	349.18	-3.2	323.14	261.89	366.30	332.74	2.1	2.03	352.86	326.18	267.88	367.68	334.63	386.24	282.63	323.10
Eurobloc (342)	99.20	-6.4	91.80	74.40	99.45	99.45	-6.2	1.75	100.64	93.03	76.41	100.23	100.23	113.92	81.53	-
Nordic (143)	491.78	0.9	455.11	368.84	515.90	515.05	4.8	1.85	498.09	460.43	378.14	519.02	517.15	555.97	360.04	453.57
Pacific Basin (721)	105.90	-2.0	98.00	79.42	111.09	82.12	2.0	1.53	105.27	97.31	79.92	109.89	82.36	117.89	82.88	112.47
Euro-Pacific (1444)	207.01	-2.8	191.57	155.26	217.16	176.26	2.1	1.89	208.20	192.46	158.06	216.95	177.12	221.79	166.00	200.31
North America (726)	489.64	0.8	453.13	367.23	513.65	490.55	0.7	1.31	492.35	455.12	373.78	513.03	493.20	505.43	374.92	415.40
Europe Ex. UK (522)	320.63	-5.6	296.72	240.47	336.35	311.83	0.5	1.68	324.95	300.38	246.69	338.60	313.90	366.32	260.93	290.83
Europe Ex. Eurobloc (381)	97.10	0.1	89.86	72.82	101.86	99.70	4.2	2.31	97.73	90.34	74.19	101.83	100.05	103.93	77.40	-
Europe Ex. UK Ex. Eurobloc (180)	95.41	-2.9	88.28	71.55	100.08	95.47	1.5	1.44	96.36	89.07	73.15	100.41	95.77	109.21	75.18	-
Pacific Ex. Japan (276)	177.98	-2.1	164.71	133.48	186.70	183.72	-2.1	3.57	178.05	164.59	135.17	185.53	183.14	216.04	128.28	208.76
World Ex. Eurobloc (1921)	104.92	0.2	97.09	78.69	110.06	104.47	1.6	1.55	105.33	97.37	79.97	109.76	104.96	108.05	83.08	-
World Ex. US (1650)	206.19	-2.8	190.81	154.64	216.30	181.04	2.1	1.92	207.34	191.66	157.41	216.05	181.88	221.91	165.95	203.71
World Ex. UK (2062)	296.71	-1.2	274.58	222.53	311.25	268.55	0.9	1.45	298.40	275.84	226.54	310.94	269.97	311.48	236.11	267.20
World Ex. Japan (1818)	406.57	-0.8	376.25	304.93	426.51	402.41	1.2	1.64	409.46	378.50	310.85	426.66	404.50	427.99	320.58	382.80
The World Index (2263)	304.24	-0.9	281.55	228.18	319.15	276.47	1.4	1.58	305.95	282.82	232.27	318.80	277.89	318.51	242.36	275.84

Copyright, FTSE International Ltd., Goldman, Sachs & Co. and Standard & Poor's. 1999. All rights reserved. "FT/S&P Actuaries" is a joint trademark of The Financial Times Limited and Standard & Poor's.

Emerging markets: IFC investable indices

Dollar terms

Feb 25 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	726.00	-1.5	-9.0
Brazil	204.33	-3.9	-25.7
Chile	469.45	-1.6	+4.0
Colombia[1]	359.07	-3.9	-18.3
Mexico	522.37	+0.4	+8.5
Peru[2]	136.25	-0.4	+1.4
Venezuela[3]	347.22	-1.5	-23.4
East Asia			
China[4]	22.24	-0.8	-15.0
India[7]	68.87	-0.1	+7.3
Indonesia[8]	22.72	-0.3	-8.2
Korea[5]	45.59	-0.3	-14.0
Malaysia	85.06	-0.9	-3.5
Pakistan[9]	86.28	-1.6	-8.8
Philippines	117.17	+1.1	-4.8
Sri Lanka[10]	71.09	+1.9	-13.7
Taiwan, China[6]	114.88	+0.7	-1.0
Thailand	56.19	-0.8	-11.0
Europe			
Czech Rep	39.26	+2.3	-22.6
Greece	734.44	+4.2	+18.6
Hungary[11]	248.00	-0.0	-11.6
Poland[12]	480.78	-2.2	-8.2
Portugal	277.09	-0.1	-5.1
Russia	30.33	-8.1	+29.3
Slovakia	38.77	+0.9	-11.1
Turkey[14]	194.79	+5.1	+33.1
Mideast/Africa			
Egypt	75.38	-0.5	+16.9
Israel	108.67	-0.2	+6.3
Jordan	234.79		+8.4
Morocco	169.41	+0.5	+7.1
S Africa[13]	132.85	+0.3	+6.1
Zimbabwe[15]	110.89	-0.4	+5.3
Regions			
Composite	183.89	-0.0	-1.5
Latin America	390.47	-1.5	-7.0
Asia	99.16		-7.3
EMEA	123.09	+1.1	+7.7
Europe	163.13	+1.8	+8.9
Eastn Europe	55.68	-2.8	-4.2
ME & Africa	57.00	+0.2	+6.3
Comp + Malay	188.29	-0.0	-1.7
Asia + Malay	100.90		-6.6

Prices supplied by Financial Times Information.

4 pm close February 26

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

advertisement

IN.SECTS (Pan European Sector Indices from EuroBench®)

The IN.SECTS - pan European equity sector indices from EuroBench - contain only those listed stocks that show strong sectoral behaviour in their price-movements. Therefore, the indices really represent the core sector trend. Using the correlation of each constituent with the sector trend to weight the constituents, an even weighting is achieved ensuring maximal diversification while offering the best sector tracking available. (Values preceded with IX = indicative)

Sector			SETT	Close	Previous	Change on day	% Change	52 WKS HIGH	52 WKS LOW
			[illegible]		[illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EuroBench is an independent index provider based in Brussels. Full information on the IN.SECTS and EuroBench is available on WWW.EURO-INSECTS.COM and WWW.EUROBENCH.COM. A free daily Email service can be subscribed to. For hard copy information and professional and private investor brochures call + 32 2 509 9260 or fax + 32 2 509 1359

[illegible]

♣ FT Free Annual Reports Club

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9306.58	9366.34	9399.67	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	104.49	104.13	104.84	107.17 (9/12/98)	104.13 (25/2/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3207.43	3220.15	3249.60	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	293.87	294.11	297.44	320.51 (8/10/98)	262.69 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high (a) (9446.32) Low (a) (9200.27) (Theoretical‡)
Day's high 9338.26(9398.19) Low 9252.52 (9233.32) (Actual‡)

Standard and Poors	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1238.33	1245.02	1253.41	1279.64 (29/1/99)	927.69 (9/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials♥	1488.10	1501.77	1512.99	1551.65 (29/1/99)	1077.40 (9/1/98)	1551.65 (29/1/99)	3.52 (30/6/32)
Financial♥	134.34	132.62	132.88	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	586.46	587.43	591.57	611.08 (8/1/99)	477.20 (8/10/98)	611.08 (8/1/99)	4.64 (25/4/42)
Amex Comp	698.29	693.47	695.79	763.67 (22/4/98)	583.75 (8/10/98)	763.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Comp	2288.03	2325.82	2339.38	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	392.26	392.89†	395.25	491.41 (21/4/98)	310.38 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Feb 19	Feb 12	Feb 5	Year ago
Dow Jones Ind. Div. Yield	1.66	1.66	1.65	1.66
	Feb 24	Feb 17	Feb 10	Year ago
S & P Ind. Div. yield	1.14	1.19	1.15	1.39
S & P Ind. P/E ratio	38.67	37.72	38.00	27.54

US DATA

MARKET ACTIVITY

● Volume (million)

NYSE, Amex, NASDAQ

NYSE TRADING ACTIVITY

ACTIVE STOCKS

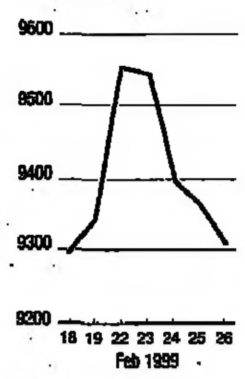
Friday: Compaq, MicronTech, AmOnLine, Citigrp, Seagte, AT&T, LucentTch, IBM, Tdnct, PhMorr

NASDAQ TRADING ACTIVITY

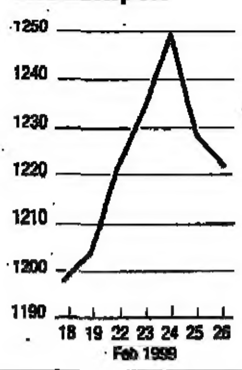
ACTIVE STOCKS

Friday: Intel, DellCmp, AppMat, Sthtst, VLSI Tech, Micsft, CiscoSys, Novell, Amz.com, 3Com

Dow Jones



FTSE Eurotop 300



JAPAN

	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14367.54	14470.45	14355.45	17264.3	12880	38915.9	85.25

Day's high: 14494.58. Day's low: 14063.31.

TOKYO TRADING ACTIVITY — Volume : 459,020,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
NpStl	18,860,000	208	+2
Sakura	9,542,000	258	−2
BTokM	9,122,000	1430	
Chyoda	8,729,000	230	−9
KawStl	8,414,000	185	+6
NikkoS	7,987,000	375	+10
NissMt	7,891,000	463	
AsahiBk	7,371,000	520	
SumMit	7,285,000	119	+2
Nomura	6,414,000	976	+14

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Mori S	1216	+111	+10.0
YkhmRb	335	+26	+8.4
NisDai	225	+16	+7.7
Downs			
Aoyama	3200	−330	−9.3
Miyir'n	340	−31	−8.4
Tagami	164	−13	−7.3
Zenol	295	−21	−6.6
D'catCh	315	−21	−6.2

FRANCE

	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4092.94	4152.58	4213.70	4388.48	2862.54	4388.48	984.61

Day's high: 4134.44 Day's low: 4076.88

PARIS TRADING ACTIVITY — Volume : 585,394,510

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
FrTele	3,708,893	85.25	+2.2
Usinor	2,745,558	11.18	−0.33
Schndr	2,059,412	53.5	−1.5
RhonPA	1,665,572	41.75	−0.45
Rnault	1,600,364	42.5	−2.1
SocGen	1,186,807	133.7	+2.6
TotalB	1,178,423	95	+0.8
Axa	1,169,072	118.8	−1.6
EltAqu	1,062,045	95	−1.3
MchlnB	761,347	40.6	+0.1

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
NrdEst	26.3	+1.22	+4.9
Legris	41.5	+1.3	+3.2
Casino	83.7	+2.5	+3.1
Gibert	118.5	+3.5	+3.0
Downs			
BIC	47	−3.7	−7.3
ThmCSF	27	−1.76	−6.1
Valeo	76.15	−4.95	−6.1
Sidel	64.1	−3.7	−6.5

GERMANY

DAX

Day's high: 4943.43. Day's low: 4853.55.

FRANKFURT TRADING ACTIVITY

ACTIVE STOCKS — **BIGGEST MOVERS**

UK

FTSE 100

LONDON TRADING ACTIVITY

ACTIVE STOCKS — **BIGGEST MOVERS**

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1240.80	1235.50	−6.00	1250.00	1227.10	139,771	356,435
Jun	1261.00	1247.50	−5.90	1261.50	1240.00	13,459	43,971
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	14450.0	14400.0	−110.0	14500.0	14380.0	22,844	176,724
Jun	14360.0	14310.0	−110.0	14410.0	14300.0	2,554	47,036

Open interest figures for previous day

CAC-40 (200 × index), DAX, OMX, EUREX

WORLD MARKETS AT A GLANCE

Country	Index	Feb 26	Feb 25	Feb 24	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	16278.64	16069.27	16321.59	23485.50 23/3/98	12303.10 10/9/98	4.27	12.6
Cheered by confirmation of new Brazilian central banker and rally in US Treasury bonds.								
Australia	All Ordinaries	2879.9	2904.8	2934.5	2940.50 4/2/99	2458.20 1/9/98	2.91	22.3
	All Mining	568.4	576.0	578.2	713.10 23/4/98	499.89 31/8/98		
Continued lower with bonds and local dollar. BHP, Rio Tinto and AMP were losers while News Corp and retailers made gains.								
Austria	ATX Index	1172.78	1176.12	1179.64	1628.56 26/5/98	982.06 1/10/98	1.98	12.5
Recovered from initial plunge to end slightly lower, helped by gains in steelmaker Boehler.								
Belgium	BEL20	3381.88	3404.84	3405.25	3681.92 8/1/99	2357.78 10/1/98	1.52	25.2
Retreated on back of weaker Wall Street and Frankfurt with Tractebel leading losers.								
Brazil	Bovespa	8911.0	8874.0	8953.0	12289.00 15/4/98	4761.00 10/9/98	na	na
Confirmation of Arminio Fraga as central bank governor by congressional committee lifted sentiment and market.								
Canada	TSE 100♦	386.21	385.87†	387.91	475.63 25/5/98	324.91 5/10/98	1.68	17.8
	Metals Mins♦	3034.15	3014.31	2988.07	4390.01 10/3/98	2500.10 31/8/98		
	TSE300Comp♦	6312.70	6306.71†	6339.43	7822.30 22/4/98	5335.70 5/10/98		
	Portfolio§§	3376.38	3363.27	3374.84	3965.81 25/5/98	2719.24 5/10/98		
Made effort at rally after weakness earlier in the day.								
Chile	IGPA Gen♥	3741.11	3858.38	3869.28	4861.95 17/3/98	2980.95 14/9/98	3.24	12.6
Endesa failed to get green light on Enersis bid and electricity sector lost power.								
China	Shanghai B	(c)	(c)	(c)	59.58 10/2/98	24.18 8/2/99	1.74	26.2
	Shenzhen B	(c)	(c)	(c)	98.07 10/2/98	44.73 4/2/99		
Colombia	IBB	889.46	893.19	918.80	1431.46 7/1/98	776.17 14/10/98	na	na
Retailer Cadenalco, down more than 5 per cent, and conglomerate Bavaria led sixth day of falls.								
Czech Republic	PX 50	341.2	347.3	343.6	517.30 23/3/98	316.80 8/10/98	na	na
Denmark	CopenhagenSE	808.91	807.24	811.71	778.84 7/4/98	558.85 9/10/98	1.69	19.2
Results from heavyweight Tele Danmark failed to prop up market as leading shares drifted lower.								
Egypt	Cairo SE Gen	(c)	440.76	441.04	447.82 1/3/99	345.40 3/2/98	na	na
Finland	Hex General	6043.99	6094.26	6141.27	6293.06 20/1/99	3320.43 12/1/98	1.72	22.9
Brief afternoon rally subsided after Wall Street opened weaker.								

THE NASDAQ-AMEX MARKET GROUP

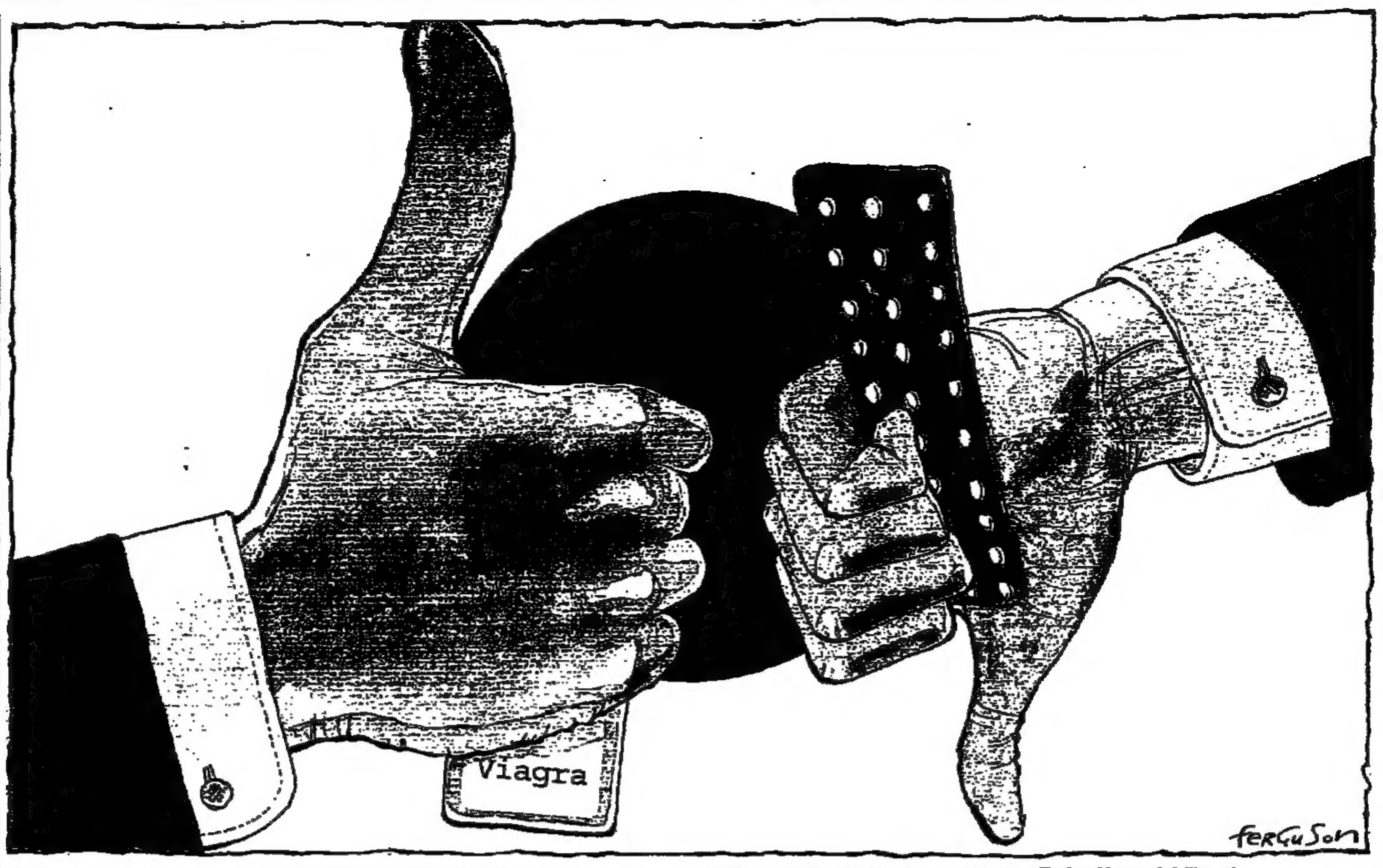
4 pm close February 26

AMEX

4 pm close February 26

EASDAQ

FT GUIDE TO THE WEEK



Japan, which took just six months to license the impotence drug Viagra, will on Wednesday consider approving the female contraceptive pill after 30 years' deliberation

MONDAY 1

Albright's tours

Madeleine Albright, US secretary of state, arrives in Beijing to begin a visit to China, Indonesia and Thailand to affirm continued US strategic commitments to Asia and discuss issues such as the Asian financial crisis, progress towards free elections in Indonesia and the future of East Timor. Albright will meet senior Chinese officials today and Tuesday to expand a strategic dialogue with China and discuss an expected visit to the US by Zhu Rongji, the Chinese premier, early this year.

No more mines

The Ottawa landmines convention comes into force today. The convention, adopted in December 1997 and signed by more than 130 countries, bans use, production, stockpiling and transfer of anti-personnel mines. Countries that ratify the treaty, 55 so far, are committed to destroying stockpiles within four years and eliminating laid mines within 10 years. But the US, Russia, China and India, all big mine producers, have not signed the pact. About 60m-70m mines lie scattered around the world, killing or maiming 26,000 people every year.

Socialist platform

The European Socialist party meets in Milan for a two-day congress to decide its platform for the June European Parliament elections. Tony Blair, the British prime minister, Lionel Jospin, the French prime minister, Chancellor Gerhard Schröder of Germany and Swedish prime minister Goran Persson are among those expected to attend.

Money talks

Financial experts including James D. Wolfensohn of the World Bank, Stanley Fischer of the International Monetary Fund, and Kiichi Miyazawa, Japan's foreign minister, gather in Tokyo at a two-day symposium on global finance and development. Amartya Sen, 1998 Nobel prize winner in Economics, will deliver a keynote speech.

Developing states

Heads of state from the D-8 (developing eight) group of countries are scheduled to meet in Dacca, Bangladesh. The eight are Bangladesh, Egypt, Malaysia, Nigeria, Pakistan, Turkey, Indonesia and Iran.

All at sea

The International Maritime Organisation and the United Nations Conference on Trade and Development host a

two-week conference in Geneva intended to adopt an international convention on the arrest of ships. The draft treaty sets out the conditions under which ships can be arrested as security for a maritime claim, as well as legal safeguards against abuse.

FT Survey

Automotive industry.

Holidays

Sri Lanka, Thailand, South Korea, Paraguay.

TUESDAY 2

Trade dispute ripens

The dispute settlement body of the World Trade Organisation in Geneva is due to establish a panel to examine the controversial Section 301 of US trade law, used by Washington to threaten sanctions against the European Union in their dispute over bananas. Brussels claims that Section 301 contravenes WTO principles prohibiting unilateral trade actions, but the US says its sanctions procedures comply fully with WTO rules.

Ready reactor

The last operational reactor at the Chernobyl nuclear power plant in Ukraine could reopen from today, according to officials in Kiev. Ukrainian officials are holding talks in Kiev with the European Bank for Reconstruction and Development about financing the construction of two new reactors at the Khmelnytsky and the Rovno plants so that Chernobyl can be closed permanently.

Holidays

Ethiopia, Israel, India.

WEDNESDAY 3

Getting on the pill

The central pharmaceutical affairs committee of Japan's ministry of health and welfare is expected to recommend at a meeting today that the contraceptive pill be licensed. The debate about the female pill has intensified since the ministry approved Viagra, the male impotence pill, in January after just six months' deliberation. The high-dose contraceptive pill has been waiting for approval for 30 years and the low-dose pill for about nine years.

Sanctions demand

The dispute settlement body of the Geneva-based World Trade Organisation meets for the second time in two days. It will discuss a US demand for authorisation to impose trade sanctions on the European Union in their banana battle. The US claims that under WTO procedures it must be given authorisation to go ahead with sanctions, whose size and direction will be based on an arbitration decision due on March 2. Brussels says the US must wait for a WTO ruling in April on the EU's amended banana import regime.

Commission code

A new code of conduct for European commissioners is unveiled. The code is part of a reform programme introduced by Jacques Santer, Commission president, following protests by the European Parliament at the way it has managed funds.

FT Survey

Review of Information Technology.

Holidays

Israel, Malawi, Morocco, Bulgaria.

THURSDAY 4

Caricom concerns

Leaders of the 15 countries of the Caribbean Community (Caricom) meet in Suriname for two days to discuss the impact on the region of the financial problems of south-east Asia, Russia and Latin America. They will also review the impasse between the US and the European Union over trade in bananas – a big export for several Caricom states. The leaders are also anxious to establish a regional appeal court to replace the UK Privy Council as the final appellate court for several countries. They feel that some Privy Council rulings are hampering their plans to retain capital punishment for murder.

Anguilla election

A plan by a Texas company to build a rocket launch pad on an islet is a key issue in a general election in Anguilla in the eastern Caribbean, one of Britain's smallest possessions. The 10,000 people of the territory are divided between the promise of millions of dollars from the launch pad and likely damage to the environment. The launch pad on Sombrero Island will be used for commercial satellites, says Beal Industries. There is concern also about a new UK policy towards its overseas territories. Hubert Hughes, the chief minister, said the UK had not consulted the colonies on the plans, which could affect offshore banking and citizenship rights.

New ILO chief

Juan Somavia of Chile takes over from Belgium's Michel Hansenne as director-general of the Geneva-based International Labour Organisation. Mr Somavia, previously Chile's ambassador to the United Nations in New York, is the first ILO chief to come from a developing country. The most venerable of the UN agencies, the ILO has been criticised for not rising effectively to the challenges of globalisation. Mr Somavia will be under pressure from donor governments to revamp and energise the organisation, which aims to improve the conditions of working people.

Nordic co-operation

Foreign ministers from around the Barents Sea area – the Nordic nations and Russia – meet in Bodoe, Norway, to discuss closer co-operation (to March 5).

FT Survey

Wales.

FRIDAY 5

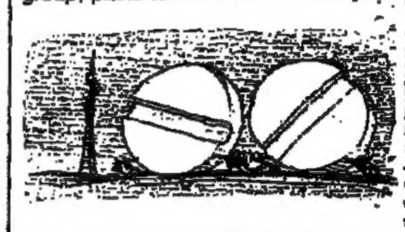
Saints march in

Pope John Paul II is expected to announce the creation of new saints. The current pontiff, who has canonized some 270 people and beatified nearly 800, has created more saints than any other pope in history.

SATURDAY 6

Great relief

Bayer, the German pharmaceuticals group, plans to mark the centenary of



its introduction of aspirin by dressing its 122m high communications tower in Leverkusen as a giant packet of the pain-killing drug.

Holidays

Ghana.

SUNDAY 7

North Korean poll

North Korea holds nation-wide local elections, the first such polls since the death in 1994 of "Great Leader" Kim Il-sung.

Salvadorian choice

El Salvador holds presidential elections; a second round will be held on April 25 if needed.

Motor racing

The Australian Grand Prix, first round of the world Formula One championship, is held in Melbourne.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: US personal income growth is thought to have remained healthy in January, although consumer spending growth probably slowed a little. Exports to the US are likely to have buoyed Canadian economic growth in the fourth quarter.
Tuesday: The US purchasing managers index is thought to have continued the recovery that began in January, while new home sales are forecast to have moderated. Japanese unemployment is thought to have been stable in January.
Wednesday: The UK purchasing managers' index for services is expected to show the pace of growth in the sector slowing.
Thursday: Growth in US factory orders in predicted to have slowed in January. The European central bank is not expected to change interest rates. There is a risk of substantial revisions to fourth quarter data showing the German economy shrinking 0.4 per cent.
Friday: US non-farm payrolls are forecast to have shown a smaller increase last month than in January, keeping the unemployment rate stable.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Australia	Jan balance on goods & services	-A$825m	-A$508m	Thurs	Japan	Jan overall personal consumer spend**	2.0%	-0.6%
Mar 1	Korea	Feb trade balance customs cleared		$695m	Mar 4	Germany	Q4 GDP pan-Germany** (stats off)	2.6%	2.8%
	Japan	Feb car sales**		-6.2%		Sweden	Jan trade balance NSA	SKr11bn	SKr12.7bn
	Germany	Jan import prices**	-5.8%	-6.0%		Emu	GDP provisional***	0.1%	0.7%
	Japan	Feb foreign exchange reserves*		2.9%		Emu	GDP provisional**	2.2%	2.7%
	Italy	1998 GDP	1.4%	1.5%		Emu	Jan unemployment rate	10.8%	10.8%
	Italy	1998 deficit/GDP	2.7%	2.7%		US	Jan factory orders	2.2%	2.3%
	UK	Jan consumer credit	£1bn	£700m		US	Jan factory inventories		-0.9%
	US	Jan personal income	0.4%	0.5%		US	M2-week ended Feb 22	$12bn	$13.5bn
	US	Jan construction spending	0.5%	1.7%		Japan	Feb overall wholesale price index*	0%	-0.9%
Tues	Australia	Q4 current account balance	-A$7.7bn	-A$7.3bn		Japan	Feb overall wholesale price index**	-4.0%	-4.9%
Mar 2	Australia	Q4 current account balance % GDP	5.1%	4.7%	Fri	US	Feb non-farm payrolls	250,000	245,000
	Japan	Jan unemployment rate	4.3%	4.3%	Mar 5	US	Feb manufacturing payrolls	-5,000	-13,000
	France	Jan producer price index*	0.1%	-0.4%		US	Feb hourly earnings	0.3%	0.5%
	France	Jan producer price index**		-2.6%		US	Feb average working week	34.6	34.5
	Italy	Dec retail sales**	3.3%	4.0%		US	Feb unemployment rate	4.3%	4.3%
	UK	Feb official reserves		-$3m		US	Jan consumer credit	$5bn	$7.3bn
	Emu	Jan harmonised consumer price index*	0%	0%	During the week...				
	Emu	Jan harmonised CPI**	0.9%	0.8%		N'lands	Dec trade balance		G1.7bn
	US	BTM-Schroders Feb 27		2.2%		Brazil	Feb trade balance	-$300m	-$754m
	US	Jan leading indicators	0.3%	0.3%		Germany	Jan capital account final		-DM36.5bn
	US	Redbook Feb 27		1.8%		Germany	Jan foreign security purchases		DM13.1bn
Weds	UK	Feb CBI distributive trades		-9		Japan	Feb trade balance (1st 20 days NSA)		Y612bn
Mar 3	Canada	Feb foreign reserves	C$100m	C$18m		UK	Feb BRC shop prices**		0.4%
	US	Feb NAPM (non-manufacturing)		54%					

*month on month, **year on year, ***quarter on quarter. Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 28.02.99 / Final Prices for Trading on 31.01.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.00	27.27	27.23	1.25
0100	23.26	37.60	37.56	1.25
0130	29.34	37.60	37.56	1.25
0200	29.34	27.27	27.23	1.25
0230	20.78	28.10	28.06	1.25
0300	23.26	28.10	28.06	1.25
0330	23.26	28.10	28.06	1.25
0400	23.26	14.90	14.90	0.00
0430	20.78	8.50	8.50	0.00
0500	9.52	8.50	8.50	0.00
0530	17.17	19.04	19.00	1.25
0600	9.52	9.00	9.00	0.00
0630	9.50	19.04	19.00	1.25
0700	9.50	19.04	19.00	1.25
0730	9.50	8.00	8.00	0.00
0800	9.24	7.00	7.00	0.00
0830	9.22	7.00	7.00	0.00
0900	17.17	19.04	19.00	1.25
0930	17.17	19.04	19.00	1.25
1000	17.17	19.28	19.25	1.25
1030	17.48	27.13	27.10	1.25
1100	17.48	27.13	27.10	1.25
1130	19.98	19.28	19.25	1.25
1200	23.40	19.28	19.25	1.25
1230	29.71	19.28	19.25	1.25
1300	36.17	19.28	19.25	1.25
1330	25.00	19.28	19.25	1.25
1400	19.46	19.28	19.25	1.25
1430	18.05	19.28	19.25	1.25
1500	9.52	19.28	19.25	1.25
1530	9.52	19.28	19.25	1.25
1600	20.55	14.88	14.89	1.25
1630	20.55	14.88	14.89	1.25
1700	23.40	20.23	20.19	1.25
1730	23.40	27.44	27.46	1.25
1800	90.00	37.60	27.46	1.25
1830	59.09	27.60	27.46	1.25
1900	59.09	27.60	27.46	1.25
1930	59.09	20.23	20.19	1.25
2000	29.48	20.23	20.19	1.25
2030	27.56	20.80	20.76	1.25
2100	27.56	20.23	20.19	1.25
2130	17.48	14.91	14.91	0.00
2200	9.52	14.89	14.89	0.00
2230	9.52	10.74	10.74	0.00
2300	19.98	9.50	9.50	0.00
2330	19.98	9.50	9.50	0.00
2400	9.52	9.50	9.50	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of offsetting the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6760 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 01.03.99 / Final Prices for Trading on 01.02.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	23.40	9.50	9.50	0.00
0100	23.40	9.50	9.50	0.00
0130	17.17	14.90	14.90	0.00
0200	17.17	29.52	28.76	1.01
0230	17.17	10.74	10.74	0.00
0300	17.17	14.89	14.89	0.00
0330	17.17	14.89	14.89	0.00
0400	17.17	27.62	26.85	1.01
0430	17.17	27.62	26.85	1.01
0500	17.17	14.89	14.89	0.00
0530	9.29	9.44	9.44	0.00
0600	9.29	9.42	9.42	0.00
0630	11.72	9.44	9.44	0.00
0700	21.59	9.44	9.44	0.00
0730	21.59	35.09	34.32	1.01
0800	31.45	56.69	55.92	1.01
0830	43.90	56.69	55.92	1.01
0900	50.43	56.69	55.92	1.01
0930	50.43	57.52	56.76	1.01
1000	50.43	57.53	56.76	1.01
1030	62.53	57.53	56.76	1.01
1100	49.33	52.54	51.78	1.01
1130	49.33	52.54	51.78	1.01
1200	54.13	52.54	51.78	1.01
1230	60.71	94.85	94.09	1.01
1300	60.71	94.85	94.08	1.01
1330	48.24	37.28	36.48	1.01
1400	48.24	37.28	36.48	1.01
1430	48.24	62.54	61.78	1.01
1500	48.24	37.26	36.45	1.01
1530	48.24	37.28	36.48	1.01
1600	48.24	48.60	47.61	1.01
1630	48.47	48.84	48.18	1.01
1700	51.30	50.05	50.54	1.01
1730	50.84	70.76	71.29	1.01
1800	53.58	76.32	77.38	1.01
1830	53.93	73.27	72.49	1.01
1900	53.71	70.84	70.58	1.01
1930	53.41	63.94	63.23	1.01
2000	63.25	94.98	94.12	1.01
2030	48.88	94.85	94.08	1.01
2100	48.88	37.59	36.82	1.01
2130	31.45	37.59	36.82	1.01
2200	20.09	26.05	25.28	1.01
2230	20.09	20.83	20.06	1.01
2300	12.05	20.83	20.06	1.01
2330	12.06	20.83	20.06	1.01
2400	9.28	20.83	20.06	1.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of offsetting the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6760 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

MONDAY PRIZE CROSSWORD

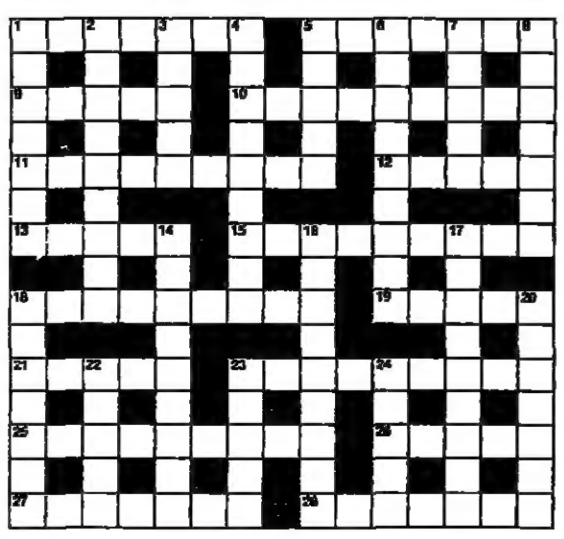
No.9,926 Set by DANTE

ACROSS

1 Rise to show appreciation (5,2)
5 Cover removers in action at the start of the cricket match (7)
9 Mischievous student in fine form (5)
10 The opportune moment – watch for it (5,4)
11 Sailor-saint in waterproof material (9)
12 Knave withdrawn from the pack? (5)
13 Feeling frail, I accept it's partly to do with the hip (5)
15 He has a short-service commission (6,3)
18 This is something between Greece and Turkey (6,3)
19 Ventured again to take father out (5)
21 Just as normal as rain (5)
23 Foe had run into unprecedented difficulty (7-2)
25 Not a single female will wear this outfit (9)
26 Studies English with little intelligence (5)
27 Drug found at college – put one's foot down (5,2)
28 See it as the simplest form (7)

DOWN

1 Music-masters? (7)
2 Showing the flag? (9)
3 Pacific islands have got an unusual constitution (5)
4 They go from equator to poles in ever-decreasing circles (9)
5 Musical journal? (5)
6 Then, sadly, two little boys got raised aloft (9)
7 Looking at money in government stocks (5)
8 View from the flats (7)
14 Charles Edward is in hiding, beaten (9)
16 Way home from the inn (9)
17 Broken-down car banned from hoe-down (4,5)
18 New area to decline after rising charges (7)
20 Glance shows a number in fault (7)
22 Search around for the end of the mooring cable (5)
23 Exhaust advice about umbrellas in the rain (3,2)
24 High points of the Danse Macabre (5)



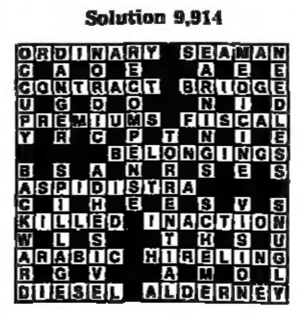
Winner of Puzzle No.9,914: Mrs C. Gresham Smith, Aston on Carrant, Tewkesbury

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday March 11, marked Monday Crossword 9,926 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 15. Please allow 28 days for delivery of prizes.

Name.................................

Address..............................

Solution 9,914



TOMBOW
FOR BUSINESS GIFTS
TEL: (01732) 771771

JOTTER PAD